



DEFENSE SECURITY COOPERATION AGENCY

WASHINGTON, DC 20301-2800

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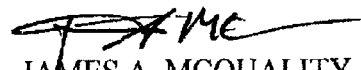
MEMORANDUM FOR THE SECURITY ASSISTANCE COMMUNITY

SUBJECT: Security Assistance Administrative Trust Fund (T-20) Budget Policy Handbook for Security Assistance Organizations (SAOs) (DSCA 01-19)

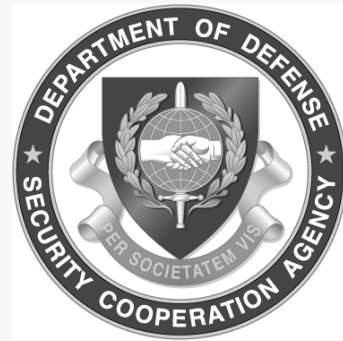
The Security Assistance Administrative Trust Fund (T-20) Budget Policy Handbook for SAOs (attachment) is a comprehensive guide to the SAO budget preparation and financial execution processes. It incorporates and supplements policy and procedures contained in DoD 5105.38-M, Security Assistance Management Manual (SAMM), and other Department of Defense, joint, Military Department, and Unified Command references.

This Handbook provides the Unified Command, the SAO Chief and the SAO Budget Officer a compilation of policies, concepts, definitions, and procedures relevant to the management of the T-20 funds used to support SAO operations. The information contained herein is DSCA policy for the management of T-20 funds. In the event of conflicting guidance, the SAO should consult with its Unified Command Comptroller to ascertain the most current policy directive or interpretation.

SAO requests for clarification or suggestions for improvement should be addressed to the Unified Command Comptroller. The Unified Command, in turn, should refer requests or suggestions to the DSCA Resource Management Division, ATTN: Compt/RM, Washington, DC 20301-2800. The DSCA POC is Mr. Ken Eisenhardt, (703) 604-6551, DSN 664-6551, FAX DSN (703) 604-6536, E-mail eisenhardt@osd.pentagon.mil. Additional copies of this Handbook may be requested from the Defense Institute of Security Assistance Management, ATTN: DISAM/DRP, 2335 Seventh Street, Wright-Patterson AFB, OH 45433-7803, (937) 255-2994, DSN 785-2994, FAX (937) 255-4319. The Handbook is also posted on both the DSCA and DISAM home pages.


JAMES A. MCQUALITY
Comptroller

Attachment
As stated



T-20 Administrative Funds

Budget Policy Handbook

20 July 2001

PREFACE

The *Security Assistance Administrative Trust Fund (T-20) Budget Policy Handbook for SAOs* is a comprehensive guide to the Security Assistance Organization (SAO) budget preparation and financial execution processes. It incorporates and supplements guidance contained in the *Security Assistance Management Manual (SAMM)* and other Department of Defense (DoD), joint service, military department, and Unified Command references.

This Handbook provides the unified commands, SAO chiefs, and SAO budget officers a compilation of budget-related concepts, definitions, policies, and procedures for the management of the Security Assistance Administrative Trust Fund (T-20) used to support SAO operations. This handbook supplements U.S. government directives, instructions, and manuals. The information contained herein is the Defense Security Cooperation Agency (DSCA) policy and should be followed for the management of T-20 funds. In the event of conflicting guidance in other official sources, the SAO should consult with the unified command comptroller's office to ascertain the most current policy directive or interpretation.

This handbook also discusses briefly other sources of funds that the SAO chief may be responsible and accountable for. This is done with the intention to alert the SAO chief and budget officer that they will have to assure that the proper program funds are used for the accomplishment of the various taskings that are given to the SAO. The unified command or the executive agent for those programs will provide procedures for those program funds.

Any requests for clarification or suggestions for improvement should be addressed to the unified command's comptroller office. The unified command, in turn, should refer requests or suggestions to the DSCA, Resource ATTN: DSCA/Compt/RM), Washington, DC 20301-2800; DSN 664-6551, commercial number (703) 604-6551, FAX DSN 664-6536 or commercial number (703) 604-6536. Additional copies of this handbook may be requested from the Defense Institute of Security Assistance Management (DISAM/DRP), 2335 Seventh Street, Wright-Patterson AFB, Ohio 45433-7803; DSN 785-3196 or commercial number (937) 255-3196, FAX DSN 986-6485 commercial number (937) 656-4685.

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CHAPTER 1

Introduction

Purpose

Financial Management of the security assistance organization (SAO) is an important function. This chapter provides background information regarding the security assistance budget and general aspects of funds management that would apply to any military office of financial management. More specific information regarding the direct application to security assistance funding will be covered in subsequent chapters.

Background

All security assistance officers have important responsibilities with regards to the budgeting for control of, and utilization of funds provided for the execution of their security assistance (SA) mission. SAO security assistance trust fund (T-20) budgets are based on operational mission requirements and personnel authorized to perform those tasks. Because of this, it is critical to be able to segregate the SA workload from the workload for operation and maintenance funds U. S. Forces (O&M) funded positions in a specific country.

The *Congressional Budget Justification for Foreign Operations* (CPD) document for security assistance programs is prepared annually; it specifies the projected SA programs for the forthcoming year. The SAO staffing levels and costs authorized from previous years and the projections and justifications for the next budget year are included in the CPD. This document accompanies the Executive Branch's proposed SA authorization legislation.

Prior to the preparation of the CPD, the DoD reviews the staffing requirements in conjunction with the Department of State, the chiefs of the U.S. diplomatic missions and regional commanders-in-chief to ensure that SAOs are properly staffed to conduct their SA missions efficiently. The primary document used to validate the staffing is the Joint Manpower Program (JMP) document (including NSDD-38 approved changes not yet reflected in the JMP) for each SAO. The State Department's Office of Regional Security and Arms Transfer Policy (PM/RSAT) and Defense Security Cooperation Agency are jointly responsible for the final consolidation and coordination of the data to be included in the CPD.

The CPD provides the detailed supporting documentation and justification, prepared by the administration in its justification to the Congress of the proposed annual U.S. SA program.

After receiving the CPD and the President's draft legislative proposal for an authorization/appropriation bill for the SA programs, the Congress will review the

proposal and conduct hearings. Legislative enactment of the authorization and appropriation bill completes the cycle. However, by this time, the succeeding year's development cycle should already have been initiated.

General Principles

Fiduciary Responsibility

The SAO chief should be fully aware of the status of all aspects of financial resources for which that office is responsible. The SAO chief, similar to any unit commander's responsibility for managing a budget allotment, is administratively accountable and responsible for all assigned funds, including any over-obligation, over-expenditure, or misuse that may occur.

Larger SAOs may be authorized a position for a SAO fiscal and budget officer (officer, NCO, or civilian). Normally, this will be an additional duty of one of the assigned officers; the fiscal officer is the individual responsible to the SAO chief for the control of operating funds issued by the unified command. The fiscal officer should be appointed in writing, and copies should be provided to the unified command budget/resource office.

Review of SAO budget functions, as well as other areas warranting sound internal control mechanisms, is included in the inspector general (IG) and other administrative assistance visits by the unified command.

Mission-Based Budget Planning

A critical element in financial management for a SAO is to determine which source of funds should be used for a particular function or activity. In the SA world there are different sources of funds with differing restrictions. (These will be addressed further in Chapter 2.) The source of the funds will make a difference in the nature of your responsibility in the overall accomplishment of your mission. The first step is to examine the mission and the assigned tasks of the organization to determine the most economical means by which they may be accomplished. This examination should review which program (Security Assistance, Counter Narcotics (CN), Partnership for Peace (PfP), Demining, Commanders-in-Chiefs Peacetime Engagement, etc.) should be responsible to provide the required budget support. Performance of the mission may be accomplished by any assigned member of the SAO regardless of the manpower billet this individual occupies; however, the funds required to accomplish the mission must come from the appropriate funding source.

This determination will allow the SAO to prepare separate budget estimates setting forth as accurately as possible the funds requirements for accomplishing the different mission goals. It is also critical that the correct fund source is used, since

incorrect fund use is a violation of law and could result in administrative or more severe adverse actions on the individuals concerned.

The preparation of an expenditure plan for utilization of funds authorized in response to the budget request is a part of the budget process. A plan is necessary to ensure that funds are made available when they are required. The unified command uses this plan to allocate funds as required on a quarterly basis. This plan will also assist the SAO to avoid over-commitments, over-obligations or, even worse, over-expenditures.

Unlike the traditional belief that, "If funds are not used during the fiscal year, next years funds will be decreased," SAO T-20 budgets are developed and supported based on realistic needs to meet the SAO's annual operational requirements. The previous year's budget serves as a starting point, but because requirements are continually changing, annual requirements are the principal determining factor.

Local Recording System

A local recording system is required to monitor the status and utilization of authorized funds to be able to account for these funds in accordance with the policies set forth in this handbook. In addition, these records will provide the basic justification needed for subsequent budgets. A plan for regular review of the local "memorandum accounting records", as well as selected official records maintained by the Authorized Accounting Activity (AAA), will help avert any major problems. If problems are identified, the SAO Chief should ensure that corrective action is promptly taken, including steps to prevent future recurrences. The security assistance Automated Resource Management Suite of Software Programs (SAARMS) budget preparation and budget execution programs provide the SAO with the capability to budget and informally account for funds from all program sources. Currently these are the only approved programs for managing your T-20 funds. The SAARMS property program provides an automated program for the SAO to manage property resources and provide information for budget preparation.

Training

It is crucial that all SAO employees working with the budget have adequate training to understand the importance of funds management, accountability, and the priority of funds control. Everyone involved in the SAO should have a basic knowledge of financial management and of the operation of the SAARMS software programs (discussed in Chapter 7).

The military services have basic courses for budget officers, including a fiscal law course, and DISAM provides training for SAARMS, both in residence and on-site. Additionally, training on the basic concepts of security assistance will assist

the budget personnel in understanding how the system works and their role in the system.

Economy and Efficiency

SAOs are responsible for ensuring economical and efficient use of all of their resources. They must ensure that mechanisms are in place to assess the effectiveness of internal management control procedures related to accountability, record keeping, certification and the expenditure of funds. Additionally, they must ensure effective, efficient use of personnel and material resources.

Summary

The SAO chief should be directly involved in the development of the budget, including a review of proposed and on-going programs and the justification for them. Once the budget is approved, direct monitoring of the distribution and utilization of funds should be a regular practice. Internal management control procedures must be in place to evaluate the use of resources and correct potential financial trouble areas before they become unmanageable. In general, the SAO chief is responsible for the substance and validity of the SAO budget request, the costs that are actually incurred and charged against the available funds, and the resultant performance.

CHAPTER 2

Types of Funds

Purpose

This chapter defines the different types of funding authority available and the general controls associated with their use. More detailed information on the utilization of funds is in Chapter 4. There are several types of funds available to the security assistance office (SAO). The program source of the funds directs how and the purposes for which the funds can be used, as well as controlling how they are used in support of the security assistance (SA) and peacetime engagement programs. Unfortunately, there are many different programs that make funds available for the activities conducted by the SAO. Each of these will have its own specific rules for their use and accountability.

Security Assistance Administrative Funds

Defense Security Cooperation Agency is responsible for directing the allocation of SA funds for the operating costs of SAOs based on the information provided in the SAO budgets. Since fiscal year 1983, the basic operating costs of SAOs have been financed using the foreign military sales (FMS) administrative account (account # 8242) as the carrier account.

Security Assistance Trust Fund Administrative Funds

The security assistance trust fund administrative funds are for SA-related administrative costs. These funds are derived primarily from the FMS administrative surcharge that customers are charged on each foreign military sales case.

Foreign Military Financing Administrative Funds

The second and lesser source of administrative funds for SA is the foreign military financing (FMF) administrative funds. These funds are appropriated as part of the overall FMF program in the annual foreign operations, export financing, and *Related Programs Appropriations Act*. Once the office of management and budget (OMB) has apportioned these funds, they are passed to the SA trust fund. For the unified command and SAO purposes, the T-20 funds allotted make no distinction as to the amount of FMS administrative surcharge and FMF administrative funds provided. DFAS and DSCA provide the required departmental reporting on these funds.

SAO Operational Funds

Security Assistance Trust Fund Administrative Funds for the SA-related administrative costs of the unified command headquarters and the SAOs are designated as budget project T-20 funds.

SAO Representational Funds

SAO representation funds are resourced from the SA administrative funds and are included in the operating budget (T-20) for each SAO as a limitation authority.

These funds, which are used to maintain the prestige of the United States in a foreign community, have very strict controls and limitations. The fund ceiling is issued by DSCA to the unified command for each geographic area. The unified command sets a representation fund ceiling for each SAO in the approved annual funding program. Individual SAO representation fund ceilings are part of a worldwide ceiling established by law. Established ceilings assigned to the SAOs will not be exceeded unless authorized by the unified command.

Unified Command Administrative Funds

Security assistance trust fund administrative funds for the SA-related operating costs for unified command headquarters' administrative expenses associated with both FMS and non-FMS segments of the security assistance program are called budget project T-20 funds. These are the funds allocated to the geographic unified commands for their operating expenses in support of the SAOs. These funds are not further allocated to the SAO, nor are they used for SAO operational requirements.

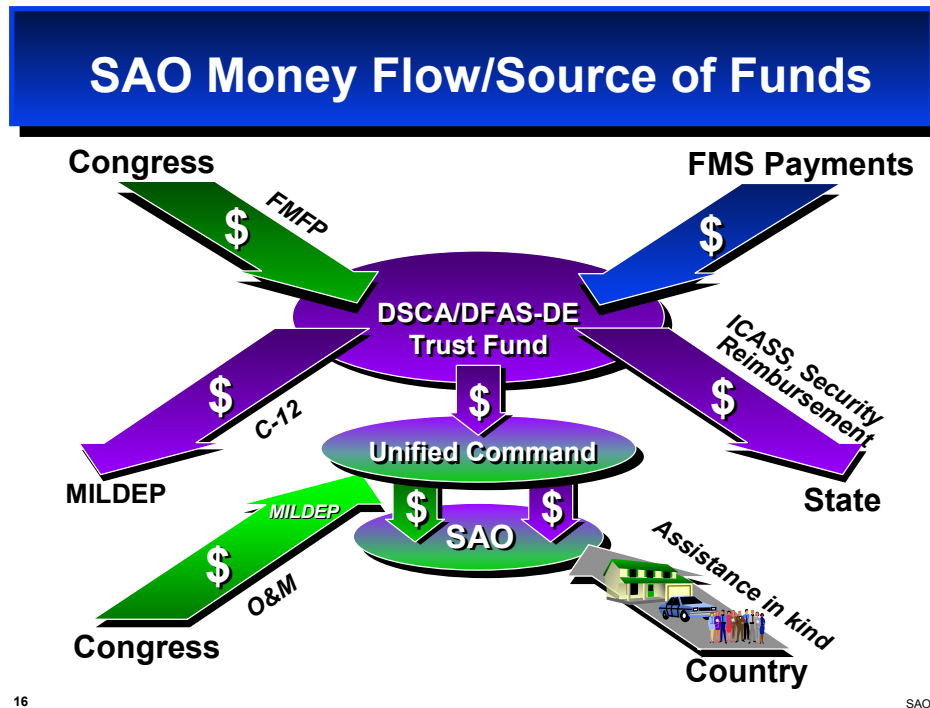


Figure 2-1, SAO Funding Authority Flow

Foreign Military Sales Case Fund Citations

Special programs within a country can be supported directly through the use of FMS case funds. This means that the country has established a FMS case to fund the costs of a specific requirement. Some examples of case-funded activities are technical assistance field teams (TAFTs), mobile training teams (MTTs), mobile education teams (METs), or management lines on a FMS case for services, training or material.

The cost of the personnel associated with these teams, including the overhead expenses, will be charged directly to the FMS case. The proponent military service that has cognizance over the case manages these funds.

Case funds should be provided to the SAO to support the in-country expenses directly related to these cases. The SAO should be involved in the case preparation phase of the development of a FMS case by providing estimated in-country cost for deployed personnel. The CONUS case/program manager provides instructions for use of case funds in the case implementing directive or other specific instruction and ensures that these funds are cited on the travel orders of the members of the team. Case funds do not have to be requested from or monitored by DSCA, but applicable obligations/expenses under the local cognizance of the team commander may be tracked in security assistance automated resources management system (SAARMS) to perform memorandum accounting and financial reporting to the FMS case

manager. The CONUS case manager, of course, is responsible for overall case financial tracking and reconciliation.

Another frequent use of case funds is temporary duty (TDY) associated with a particular program. The SAO personnel required to travel in support of a specific FMS program for a country, such as to attend a program management review (PMR) for an aircraft sale, may be authorized to use case funds. Case funds should be requested from the appropriate service case manager. Before such TDY orders are prepared by the SAO, a FMS case funds cite must be requested from, and approved by, the CONUS case/program manager responsible for that particular case. Only when they are not available, should T-20 funds be used. The SAOs are required to request permission of the unified command funds manager for use of SAO T-20 funds to support a FMS case.

SAOs must insure that costs supporting FMS cases and case personnel are charged to the case and not to the SAO's T-20 funds. This will require separate International Cooperative Administrative Support System (ICASS) agreements as well.

International Military Education And Training (IMET) Fund Citation

Special programs within a country can be supported directly through the use of international military education and training (IMET) fund citation funds. This means that the country has established an IMET training line or lines to fund the costs of a specific requirement. Some examples of IMET funded activities are language training detachments (LTDs), mobile training teams (MTTs), mobile education teams (METs), lines for support and training materials.

The cost of the personnel associated with these teams, including the overhead expenses, will be charged to the service/country IMET program. The proponent service that has cognizance over the specific IMET line manages these funds.

Security assistance officers must insure that costs supporting IMET personnel are charged to the IMET program and not to the SAO's T-20 funds. This will require separate ICASS agreements as well.

Assistance in Kind

Assistance-in-kind (AIK) refers to the non-monetary support that a host government provides the SAO under bilateral agreements. This may include vehicles, office space, personnel, utilities and housing, among other things. While not a funded program, AIK must be annotated in the SAO budget submission. It must be taken into account because these functions, if they are valid requirements, may need to be funded should the AIK agreement be terminated.

Contributed Currencies

Contributed currencies are funds provided by the host government as a result of a bilateral agreement. The amounts of contributed currencies are identified in a special exhibit contained in the SAO budget submission, and although, by law they are not made available for expenditure by the SAO, they represent an offset to the total costs incurred for SAOs by U.S. government appropriated funds. Only a very few countries have contributed currencies.

Operation and Maintenance Appropriated Funds

Funds appropriated by congress through the program objective memorandum (POM) process for the support of the U.S. forces in the conduct of day-to-day operations may also be made available to the SAO for those non-SA requirements in which personnel, both SA and non-SA, assigned to the SAO may be engaged. These funds support personnel and operational costs in the same manner that T-20 funds support SA requirements. The O&M funds are managed in accordance with the cognizant Service (Executive Agent) directives and regulations, and procedures. The SAARMS Budget Execution Module can accommodate and provide memorandum accounting for these funds.

O&M funds are usually restricted to a specific use for a specific period of time and require separate tracking. Some examples are:

- Operation and Maintenance Appropriation (O&M) funds for Peacetime Engagement activities, specific non-SA functions or billets, e.g., defense cooperation programs, unified command representatives stationed in country, traditional commandar-in-chiefs activities (TCA), and/or personnel exchange programs (PEPs).
- Military service appropriations can be used for a few specific administrative and logistics functions as spelled out in AR 1-75/OPNAVINST 4900.31G/AFR 400-45. An example is for travel expenses for medical examinations required by the services.
- Service appropriations and non-appropriated funds of the administrative agent may also be used for specific costs, such as the administrative and logistical support for non-security assistance billets, authorized and assigned to a SAO or morale, welfare, and recreation (MWR) support for the SAO members.
- The executive agent will be the primary source for MWR material, supplies and support. T-20 funds may be used only when funds are not available from the executive agent, and DSCA has granted a waiver.

The SAO may be required to prepare budgets for these funds in addition to the SA T-20 budget. The SAARMS budget preparation module will accommodate these requirements as well.

Summary

It is important to know the sources of SAO funding to understand the proper application of costs. Each category of funds has restrictions. Proper management, accountability, and tracking of funds are critical to budget justifications.

CHAPTER 3

The Budget Process

Previous chapters have delineated some of the general principles that apply to security assistance office (SAO), budgetary management and the various sources of funds that fund the SAO direct and indirect operating costs. This chapter describes the organizations and milestones associated with the SAO budget process.

Organizations Involved in the Budgetary Process

Congress

Congress authorizes and appropriates certain funds used by SAOs, and only when they are not available, should Administrative Trust Fund funds be used. In particular, foreign military financing (FMF) administrative funds are one of the financing sources of budget project T-20 (unified command and security assistance office (SAO) operating expenses). The approved level of FMF administrative expenses is contained in the annual foreign operations appropriation, as is the expenditure limit on the use of representational funds. Moreover, the proposed budgetary and manning levels for SAOs are included as part of the Congressional Budget Justification (CBJ) and are subject to review by the Congress.

The Congress is also the appropriation source of operations and maintenance (O&M) funds for those SAOs with missions in areas other than SA, e.g., international cooperative programs (ICP).

Congress also approves the SA manpower authorization for each SAO through the CBJ process, including *National Security Decision Directive (NSDD) 38* process approved changes made during the year.

Office of Management and Budget

The Office of Management and Budget (OMB) assists the President in the preparation of the annual U.S. government budget and the formulation of the nation's fiscal policy. The OMB further controls the apportionment of appropriated funds for obligation and expenditure in support of SA activities. The OMB also publishes *Circular A-11*, which specifies the object class codes to be used by the executive branch. (See Appendix D.)

Department of State (DoS)

The Department of State (DoS) has statutory responsibility for SA policy. It has overall responsibility and authority for SA programs and determines what assistance will be provided or what sales or grants will be made to which countries or international

organizations. In this regard, the DoS is the principal proponent of the CBJ (which is jointly prepared by DoS and DSCA).

SAO Budget Preparation and Execution

The Department of State is the cognizant executive department for the management of U.S. diplomatic missions; the SAO chief is generally being a member of the ambassador's country team structure. In addition, DoS is in charge of the financial service centers (FSCs) which make check payments for most embassies/SAOs or, in those cases where the embassy fiscal officer makes the check or cash payments, collect disbursement data relating to SAO budgetary obligations. The supporting FSC forwards all disbursing data to the interagency clearinghouse for further transfer to the appropriate DoD authorized accounting activity (AAA) that performs the SAO's official accounting function. DFAS-AYADS/DE is the AAA for T-20 funds.

Office of the Secretary of Defense

Military and civilian members are subject to DoD directives and regulations, such as policies relative to entitlements (e.g., dependent schooling, funded environmental morale leave (FEMLE)). Also, certain billets in some SAOs are funded from O&M accounts in support of programs of interest to Office of the Secretary of Defense (OSD)/acquisition staff, (e.g., International Cooperative Programs (ICP)), and commander-in chief personnel performing peacetime engagement activities and military to military functions.

The DoD Comptroller promulgates financial policy directives and manuals, which must be followed by the service administrative agencies and Defense Accounting Offices (DFAS).

Joint Staff

The Joint Staff approves the Joint Manpower Plan (JMP), which reflects the authorized manpower billets at each SAO. The JMP for the unified command will include separate sections for the SA billets and the O&M billets. SAO JMP actions are coordinated with chief of the U.S. diplomatic mission (COM), the unified commands, JCS, and Defense Security Cooperation Agency (DSCA) prior to approval or modification via the *National Security Decision Directive* (NSDD) 38 process.

Defense Security Cooperation Agency

The DSCA is the focal point within DoD for policy and management oversight of the administration and implementation of SA programs by the services,

Defense agencies, SAOs, unified commands, and the DSCA Comptroller, Resource Management Division, are responsible for reviewing and approving the annual T-20 budgets and for establishing policies associated with the administration of

these funds. DSCA works directly with DoS in policy and reimbursement matters concerning the International Cooperative Administrative Support Services (ICASS) agreements and security issues, which are used as the vehicle to provide embassy staff support to SAOs. An assistant secretary from the DoD Comptroller Office is a member of the ICASS executive board. A DSCA Resource Management Division representative serves on the ICASS Interagency Working Group.

DSCA publishes the *Security Assistance Management Manual (SAMM)*, DoD 5105.38-M that contains broad policies concerning SAO budgets. DSCA is also the parent agency for the Defense Institute of Security Assistance Management (DISAM), which is responsible for SAO education. DSCA Comptroller Office is the designated manager/office of primary responsibility for the Security Assistance Automated Resource Management Suite (SAARMS) policy and system requirements.

DSCA also publishes this directive, which promulgates financial management policy and procedures for the SA Trust Fund Administrative Funds used for SAO operations and by the unified commands.

Defense Finance and Accounting Service

Reporting to the DoD Comptroller, the Director, Defense Finance and Accounting Service (DFAS), is responsible for the preparation and update of selected chapters within the Department of Defense *Financial Management Regulation (DoD) 7000.14-R, Volume 15 Security Assistance Policy and Procedures*. This volume is the basic reference for FMS pricing and accounting.

DFAS Denver Center, Deputate for Security Assistance (DFAS-AYADS/DE), is responsible for issuing accounting policy for T-20 funds and T-20 funding allocations to the unified commands (with the T-20 funding being further passed on to the SAOs by the unified command comptroller offices). DFAS-AYADS/DE is the authorized accounting activity (AAA) for T-20 funds and prepares and submits financial reports to DSCA, OMB, and treasury for all required SA program accounts. The DFAS-AYADS/DE Accounting Procedure Memorandums will be used as accounting policy for T-20 funds in lieu of the Administrative and Logistical Support of Overseas Security Assistance Organizations (AR 1-75/OPNAVINST 4900.31 GIAFR 400-45).

The Defense Accounting Offices, which function as the authorized accounting activities for other funds that may be provided to SAOs, report to director, DFAS.

Defense Civilian Personnel System

All pay for U.S. civilians assigned to the SAO is centrally paid by DCPS, Charleston. DFAS allots the funds to DCPS and receives reports, which are then provided to the SAOs. The SAO will set up a separate OA/FCA for U.S. civilian pay. This OA/FCA is for recording and management purposes only and will not be uploaded in the end-of-month uploads.

Military Services

The Services are designated as executive agencies for delegated SAO support functions on a regional basis. The Army has executive agency for U.S. European Command and U.S. Southern Command, the Navy for U.S. Pacific Command, and the Air Force for U.S. Central Command.

The Services also are the principal implementing agencies for FMS cases, and such cases may be a source of travel/temporary duty (TDY) funding for SAO members attending program management reviews.

Unified Commands

The commander-in-chief of each unified command commands the SAO in all matters that are not functions of the COM and also performs selected staff and administrative support functions, (e.g., judge advocate, comptroller/budget, automated data processing). The unified command comptroller's office or funding resource manager receives the annual budget call memorandum from DSCA. The unified command transmits the budget call to the SAOs within its area of responsibility (AOR) with any specific guidance. The proposed SAO budgets are reviewed by the unified command prior to submission to DSCA. As the fiscal year (FY) begins, DSCA (through DFAS-AYADS/DE) allocates the T-20 funds to the unified command, with the SAOs receiving their T-20 budget execution authorities from the unified command.

The unified command serves as the principal point of assistance to the SAO, responding to questions as they arise and periodically sending staff assistance representatives, including Inspection General (IG) teams, to the SAOs. The unified commands perform the following SAO budget-related functions:

- Implement fiscal management laws, policies, regulations, and directives.
- Provide technical guidance and direction on financial matters.
- Review budgetary performance against the budget execution/financial plan.
- Evaluate, integrate, and validate funded and un-funded requirements.
- Issue supplementary budget policy, preparation guidance, and procedures for budget submissions.
- Consolidate and analyze AOR - wide budget submissions.
- Articulate and justify budget requirements to DSCA.

- Coordinate budget and fiscal management actions with DSCA and SAOs.
- Provide the first level of technical assistance to SAOs in the use of the SAARM.

Embassy

The ambassador (COM) is in charge of the country team and sets local policies that apply to all in-country offices, including SAOs.

The embassy fiscal officer will provide support to the SAO in accordance with the terms of the ICASS agreement. Under ICASS, the embassy fiscal officer may disburse funds for SAO obligations, or request that the supporting FSC make the disbursement. All disbursements are reported to the State FSC, which, in turn, requests reimbursement from DFAS-AYADS/DE.

The embassy may also provide contracting officer services to the SAO for contracts negotiated on behalf of the SAO, unless the SAO has a contracting officer authorized and assigned.

Security Assistance Organizations

The security assistance organization (SAO) chief is responsible for the overall management of the SAO budget, including its preparation and execution, all the while observing the requisite internal management controls. This includes the utilization of SAARMS software programs. The budget preparation module is the tool for the preparation of the SAO budget. The budget execution module is the automated tool for "memorandum accounting" at the SAO level. The budget execution module is used to provide feeder data and reports to the parent unified command and DFAS-AYADS/DE (For T-20 funds), or the appropriate AAA or for O&M funds. The SAO should perform the following budget - related functions:

- Budget for requirements to support the directed missions based on the funding source.
- Maintain (1) internal memorandum financial records generated by the budget execution module, which are considered to be official records; and (2) official financial and accounting records which are generated by the SAO embassy, or supporting AAA.
- T-20 records must be maintained by the SAO for of five years, after which, they will then be transferred to the designated permanent records holding area.
- O&M financial records and files will be maintained by the SAO until such time as competent authority directs otherwise.

- Reconcile (1) current year fiscal official financial and accounting reports throughout the FY; the volume of expenditures dictates the frequency of review and (2) prior year official financial and accounting reports throughout the fiscal year and report results to the unified command and DFAS-AYADS/DE.
- The Budget Execution program provides the capability to reconcile the data recorded at DFAS-AYADS/DE with that contained in the SAO program. It will provide reports where there are differences, and the SAO must then research the files and records both in and appropriate certain funds used by SAOs. The SAO and the embassy budget and fiscal office attempt to resolve the differences.
- Establish separate funds management controls for direct operating (T-20) funds, and indirect operating (T-20) funds, ICASS costs, security costs, and C-12 aircraft flying hours costs to prevent over - obligation, assure propriety of use of funds, and identify excess funds for timely turn-in.
- Maintain separate records and accounts (within budget execution module) for each source of funds, e.g., T-20, O&M, and defense cooperation in armaments (DCA).
- Maintain records for representation funds, which may not be commingled or redistributed among other management categories. These records may include perpetual inventories of consumable and expendable items purchased for representational purposes.
- Maintain separate records for AIK support and provide associated documentation to the unified command upon request or when new agreements/actions are initiated.
- Ensure that obligation authority and fund cite authority have been allocated and are available before creating obligations.
- Review and report status of funds via the SAN web using the reports generated by the budget execution module and ISAARMS module on the SAN web monthly to DFAS-AYADS/DE and the unified command. Identify funds excess to the SAO's needs and report to the unified command as soon as known, but not later than 1 August of the budget execution year.
- Review funding requirements for consistency with established policy and mission priorities and ensure resources are sufficient to support "must pay" requirements. "Must pay" requirements are required to be paid by law (e.g., dependent education, FEW civilian pay, and signed contracts). The SAO chief must make decisions on discretionary requirements when funds are limited. Unfunded requirements (UFRs) or funding for assigned tasks that exceed the SAO's authorized level of funding will be submitted to the unified command for consideration.

- Ensure that all ICASS agreements and associated charges are reviewed quarterly to verify that the service provided met the agreement with the ICASS council and the billing is accurate and reasonable in accordance with the post ICASS council charter and agreements. Ensure FMS case-funded and O&M funded personnel are supported through separate ICASS agreements. The SAO may be responsible for several agreements.
- Manage requirements effectively within established funding ceilings, policy, and guidelines.
- Justify and prioritize requests for additional resources and UFRs during the budget preparation process and in time of need.
- Forecast new requirements, refine recurring requirements, and delete one-time items purchased in the previous year during the budget preparation process.
- Plan to generate all appropriate obligations for end-of-year prior to August 15, which is the normal cut-off time established by the embassies. Obligations required after this date must be managed within the emergency exception policies established by the embassy for those obligations that are processed through the embassy budget and fiscal office.
- The unified command IMPAC card should be used wherever possible to reduce ICASS charges. It is not affected by the embassy end-of-year policies, but by those established by the unified command.

Budget Approval Cycle

Budget Call

During the first quarter of the calendar year, the DSCA/Compt/RM will prepare and release the annual SAO budget call for the President's budget. This budget call memorandum, which contains specific guidance and instructions relative to the preparation of the budget, is sent to the unified commands. The unified commands and the SAOs are expected to stay within prescribed budget funding targets, with full justification being required for exceptional circumstances that might warrant any requested increase above the target. The unified commands transmit the budget call, along with any unified command - specific instructions, to the SAOs.

Budget Preparation

The SAARMS budget preparation module will be used to prepare the SAO budget. The budget preparation module will provide the data files and appropriate reports to the unified command. In determining its budgetary projections, the SAO must be sensitive to any future changes, (in manpower levels, etc.) which will have an impact on the

budget data. Equally important, the SAO must return its completed budget package to the unified command by the prescribed suspense date.

The SAARMS budget preparation module incorporates the data input into the required data to be forwarded to the unified command and will also incorporate prior year historical data.

Budget Review and Approval

The unified command collects the budget inputs from the SAOs and consolidates the data for unified command submission to DSCA.

SAO budgets may be modified up or down, and some UFRs may be funded prior to submission of the package to DSCA. The unified command will provide SAOs with updated budget data and targets.

DSCA consolidates the worldwide SAO budgets. In this second command-level review process, SAO budget levels may again be adjusted.

Next, the SAO T-20 budgetary levels and FMF administrative fund requirements are entered into the CBJ and President's budget draft documents, which are reviewed by DoS and the OMB. The OMB, in representing the President's guidance and priorities, can direct changes to be made as well. Almost one year from the time the initial DSCA budget call was issued, the official CBJ, the President's budget, and other supporting documents are transmitted to Congress. The cognizant congressional committees begin the hearings, mark-up, and House-Senate reconciliation processes which lead to a bill being passed. The foreign military financing (FMF) portion of the T-20 budget is limited by the specific FMF appropriation and, in recent years, the Congress has also set an overall ceiling on the FMS trust fund administrative budget obligations during the fiscal year.

Budget Execution Cycle

Allocation and Allotment

When DSCA has completed its review of the T-20 budget submissions, it issues memoranda to each unified command documenting the results of the budget review. The memorandum provides an approved annual funding program (AFP) for the current budget execution year and budget planning level amount for the budget year request about to be included in the President's budget submission.

Based upon the approved annual funding programs, DSCA issues a request to DFAS-AYADS/DE to issue a FMS administrative fund allocation of budget authority for the first quarter requirements for SAO operating expenses to the unified commands. In turn, DFAS-AYADS/DE sends a fund certification authority (FCA) to the unified commands allocating FMS administrative fund obligation and expenditure authority in

amounts matched to the DSCA authority. The unified commands, in turn, sub-allocates funding received from DFAS Denver and issues FCA documents to the SAOs. This funding allocation provides SAOs with the authority to obligate and authorize the expenditure of funds for all of their local operating costs. This authority is issued on a quarterly basis.

Processing Transactions

The SAO enters the obligation authority, generates obligations, and record payments (expenditures) into the SAARMS budget execution module. In this regard, it is important to note that SAARMS is a "memorandum accounting system," which provides reports to the official accounting system. The budget execution module provides a means by which the SAO chief can maintain financial control with the posting/processing of estimated transaction amounts. However, the Authorized Accounting Activity (AAA) and Defense Accounting Office maintains the official accounting records. DFAS-AYADS/DE is the AAA for T-20 funds.

When processing transactions, the key to reconciliation is document number and accounting classification integrity. In effect, the document number (and accounting classification/fund citation for purchase requests or services) must be perpetuated throughout the financial phases of a transaction (i.e., from commitment and obligation to expenditure and disbursement). This principle must be conveyed to the embassy fiscal officer and general services officer (GSO), since the embassy submits expenditure data to the Foreign Commercial Service (FSC). Otherwise, if the embassy is reassigning its own document numbers without cross reference to (and perpetuation of) each of the initial SAO obligation document numbers, subsequent matching and reconciliation of obligation and expenditure transactions is impossible. The SAO is responsible for reconciling transactions to the extent possible (i.e., providing the AAA/Defense Accounting Office supporting data and documents to facilitate the matching of expenditures to obligations and updating SAARMS memorandum records accordingly).

Status of Funds Report

The SAARMS budget execution module automatically generates a status of funds report. This report shows, by budget management category/object class, the cumulative obligations and associated percentages of obligations by budget category. It reflects the percentage of deviation of the actual versus the planned totals. This is a valuable tool for the SAO chief, the unified command, and DFAS-AYADS/DE in tracking the SAO's spending profile as the budget year progresses. This report shows the status of funds as of the time it is generated.

Summary

The SAO budget process starts with a budget call from DSCA, which is transmitted to the SAO by the unified command. In preparing its budget, the SAO uses the SAARMS budget preparation module. Once the unified command and DSCA have

reviewed and approved the SAO's budget and, following the congressional budget cycle and enactment of the requisite legislation, DSCA releases quarterly allocations to DFAS-AYADS/DE and an annual funding program to the unified command. The unified command, in turn, transmits budget execution authority to the SAO on a quarterly basis.

Upon commencement of the execution cycle, the SAO uses the SAARMS budget execution module to "load" its budget limitation categories and proceeds to record transactions (i.e., commitments, obligations, and expenditures) as they occur. A necessary part of the execution process is the reconciliation of outstanding or unmatched transactions so that the AAA and Defense Accounting Offices records are as accurate and current as possible.

CHAPTER 4

Utilization of Funds

Purpose

This chapter addresses the special policies and rules that apply to budget sources and object classes. These policies have been adopted to comply with sound fiscal management practices and to standardize the worldwide community of SAOs. SAO chiefs and budget officers must follow these policies unless appropriate authority has granted an exception. The unified command and DSCA are first in the chain of command to ascertain if exceptions have been granted and by whom for the SAOs.

General Policies

Request for Policy Clarification or Exceptions

Clarification as to policies contained in this handbook (or in the annual Defense Security Cooperation Agency (DSCA) budget call or any separate policy memoranda/messages), including requests for exceptions, should be forwarded by the Security Assistance Office (SAO) to the unified command comptroller's funding resource manager's office. The unified command will screen and respond to inquiries where the policy is understood and the DSCA position is already known. Policy exception requests warranting further consideration will be referred by the unified command to the DSCA/Compt/RM for resolution.

Workload Distribution by Functional Area

The SAO, foreign military sales (FMS) and foreign military finance (FMF) administrative budget funds (collectively known as T-20 funds) should only be used for recognized SA-related functions. The SAO authorized staffing has used the workload distribution to develop the security assistance (SA) versus O&M portions of the joint manpower plan (JMP) for the SAO. Conversely, performance or support of missions beyond the scope of the defined SA-related functional areas must be financed from the appropriate *benefiting appropriation*. For example, non-SA missions that support the unified command (e.g., exercises and unified command logistics agreements offices (LAO), and other peacetime engagement activities) would be funded from O&M or other funds made available to the respective unified command.

Each SAO is required to submit as part of its budget data submission SAO workload data. The budget preparation module provides reports for DSCA and the unified command from this data. These reports show the percentage distribution of the organization's workload among SA and non-SA functions by fiscal year (FY). This data is used by DSCA to determine the amount of

worldwide SAO funding which should come from each of the two SA sources cited previously. The data may also indicate whether or not Department of Defense (DoD) funds are required at particular SAOs based on the amount non-SA operational requirements (e.g., defense cooperation in armaments activity, ship visits, TCA, or other military-to-military activities).

Disposition of SA-Funded Equipment

Redistribution

If an SAO is scheduled to close or downsize the SA mission or otherwise no longer has use for equipment in good condition, the SAO should contact the unified command to ascertain if the equipment should be redistributed to another SAO location.

Proceeds from Sale Disposal

If redistribution action to another T-20 account is not appropriate, and sale or transfer disposes of the SAO equipment, the proper fund cite must be shown when depositing the funds received. The proper fund cite is that of the monies that were used to finance the acquisition of the specific equipment item. These fund cites are:

- Military Assistance Program (MAP) - financed equipment: use 11(?) 1082, where the "?" identifies the last number digit of the current fiscal year, e.g., "1" for fiscal year 2001.

- FMS T-20 - financed equipment: use 978242.0009 00 XQ? S843000. The symbols "XS?" are defined as:

- a. "X" denotes proceeds from the sale of surplus personal property.
- b. "Q" identifies DSCA as the implementing agency that issues the FMS administrative funds.
- c. "?" Identifies the FY: This symbol should be replaced with the last numeric digit of the fiscal year, i.e., 1 for FY01.

Transfer of Trust Fund (T-20) Acquired Property to O&M Activities

Property of an SAO that was acquired through T-20 funding may be transferred to O&M accounts when realignment of SAO functions occur because of changes in mission. Fair market value is the criteria for the transfer value, and proceeds should be returned to the trust fund. SAOs and unified command will coordinate with DSCA to determine if the gaining activity will be required to reimburse the trust fund for the equipment.

O&M and Other Appropriation Financed Equipment

Contact the unified command or executive agent for guidance for the procedures and proper fund cite.

Method of Funding

The SAO budget and budget execution is prepared and implemented based on how the obligation authority is distributed.

Direct Charges are those object class requirements that will have the obligational authority provided to the SAO for budget execution.

Indirect Charges are those requirements identified by the SAO in a separate portion of the budget preparation; the funding will be retained by DSCA and all bills will be paid by DSCA. The SAO still initiates action to fulfill these requirements, (e.g., security charges, C-12 operation, ICASS).

Specific Policies for Direct Costs

Automated Data Processing (ADP) Support

Centralized Funding & Procurement

When feasible, DSCA will authorize centralized funding and procurement for ADP equipment when buys of sufficient quantity are required. This may include centralized buys for an individual unified command.

The unified commands will submit their ADP requirements with their budgets. DSCA/CIO will validate the requirements, and the appropriate activity will be directed to procure centrally those items when it is determined to be economically feasible to do so. DSCA will pass all others back to the unified commands for local purchase. Normally the central purchase will be limited to CPUs, and monitors (including the keyboard and mouse).

Minimum Specifications

Procurement of equipment and supplies to satisfy all microcomputer needs, including the needs of the Security Assistance Network (SAN), must adhere to the guidance in the *Security Assistance Management Manual (SAMM)*, Section 1504 (as updated by any interim memorandum or message changes). A table in this SAMM section lists minimum equipment specifications when ordering additional or replacement automated data processing (ADP) equipment. Deviations must be coordinated through the unified command and approved by the DSCA process analysis integration division (DSCA/COMPT/PAID).

The unified command will determine the method of access to the internet that the SAOs will use. It may be a unified command system or a local internet service provider (ISP).

Tempest Equipment

For SAOs located in selected embassy or other highly secure spaces, local policy may require the utilization of "tempest approved" equipment. Due to the increased cost, DSCA will normally only fund such equipment when its need is sufficiently justified, and it is a universal requirement for other offices on site. The SAO will utilize non-"tempest approved" equipment that complies with the minimum specifications in the *SAMM*, Section 1504, for all offices at an embassy where the "tempest approved" requirement does not apply.

Depreciation and Replacement

Funding for ADP equipment, operations, and maintenance shall be a routine part of the SAO budget process. ADP equipment replacements should be allocated among future budget years based on depreciation schedules. Expectations that all or the majority of the organization's ADP equipment can be replaced in a given year based on "fall-out" funds are unrealistic. SAOs should follow the depreciation schedule established by the DSCA/CIO. ADP equipment items will normally be depreciated on a three-year basis. However, equipment items should be retained longer if they are in good operating condition and compatible with existing SAN or other ADP computer programs or as directed by the unified command or DSCA.

Education of Dependents

Basic Guidance. Education of dependents is a "must-pay" requirement in the budget execution process. The unified command will issue guidelines on dependent tuition rates in conjunction with the budget call. The following general guidelines apply:

Budget data will reflect only educational costs for dependents of SAO (T-20) funded billets and will not exceed the rates paid by Department of State for that location.

Dormitory costs are allocable only for students who must attend school at a location other than their sponsor's assigned duty station.

For non-DoD operated schools, SA funding support is limited to the *Department of State Standardized Regulation* (DSSR) allowance for dependent education at post rate for schools located within commuting distance of the sponsor's duty station or the "away from post rate" for dormitory schools. The DSSR "away from post rate" covers tuition costs, room and board, and three trips

between the post and nearest foreign locality where an adequate school is available. Costs exceeding the DSSR rates will not be supplemented with SA operating costs.

Budgeting and Reporting Costs

- For DoD-operated schools, costs will be paid on a semester basis. Funds for the first semester will be budgeted for in the current FY (prior to 30 Sep). Funds for the second semester of the same school year will be charged to the subsequent FY.
- For non-DoD schools, costs will be paid on a semester basis unless the school requires a full-year or other tuition payment plan. If an alternative (other than semester) payment plan is used, budget for the FY funds when payment(s) is projected. Ensure the non-DoD school's written request for payment of full tuition or other variation from the equal semester payment plan is kept on file at the SAO.
- Transportation costs associated with transporting student(s) to and from school must be identified on the detailed portion of each year's budget format.

Dependent Education Travel. Command-sponsored dependents attending high school away from the sponsor's duty station are entitled to three round trips per year to the sponsor's duty location (e.g., London Central High School students). Command-sponsored dependents that are authorized to attend high school or college in Continental United States (CONUS) are entitled to one round trip per year to the sponsor's duty location. This entitlement includes one 250-pound unaccompanied baggage allowance annually and CONUS storage costs of up to 350 pounds. (See *Joint Travel Regulation, Chapter 7.*)

Funded Environmental and Morale Leave

Funded Environmental and Morale Leave (FEML) Entitlement. The FEML program authorizes transportation or reimbursement for such transportation to an authorized FEML destination from the SAO permanent duty site of the SAO military member and his command-sponsored dependents that are assigned to a FEML-authorized duty location. They are entitled to one trip during a two-year tour and two trips during a three-year tour. Generally, a member may not perform FEML travel within six months of the beginning or end of a tour. Dependents must be command-sponsored, but may travel unaccompanied by the SAO member. DoD civilians with a transportation agreement are authorized home leave in accordance with civilian personnel regulations.

FEML duty locations and destinations are recertified biennially by the unified command and approved by Office of the Secretary of Defense (OSD). The *DoD Joint Federal Travel Regulations*, Part S, identify the approved FEML countries and their designated destinations.

An SAO not currently authorized FEML may request its permanent duty location be designated as a FEML location by submitting appropriate justification through their unified command to OSD. DSCA is included in the coordination process for such requests during the OSD staffing process, since FEML transportation costs for SAO members are paid with SAO operating budget (T-20) funds.

Space-Available (No Cost) Transportation. Space-available transportation at no cost to the government will be used if available. However, if unavailable, commercial air carriers are authorized if travel costs have been budgeted within the SAO's T-20 budget.

Transportation Cost Limitation. Members and command-sponsored dependents may travel from the FEML duty location to other than the designated FEML destination and/or from other than the designated FEML destination to the FEML duty location. However, the total transportation cost to the government must not exceed the cost that would have been incurred if the member or dependents had traveled to and/or from the designated FEML destination, as appropriate.

Household Furnishings and Appliances

Household furnishings and appliances may be approved for purchase for use in SAO members' quarters when local conditions justify such purchases and for representational requirements for the SAO chief.

Housing - Rental/Leases-OHA and Government Leased

Basic Policy. DSCA policy is to allow the unified command to determine whether government-leased housing or private leasing using the Overseas Housing Allowance is appropriate based on conditions in individual countries.

Government-Leased Housing (GLH). DSCA will support and fund GLH for SAO security assistance personnel when approved by the unified command. SAOs request GLH through their unified command. DSCA approval and SA funding for GLH can only support SA personnel. Leases for non-SA funded personnel assigned to SAOs must be approved/funded by the unified command.

All requests for new leases and for renewal of existing leases that exceed \$25,000, to include utility costs, must be reviewed and approved by the unified command after review and approval by the Embassy Inter-Agency Housing

Board. The SAO chief may approve lease replacements and lease renewals under \$25,000 for SAO members provided that the embassy regional security office (RSO) and general services officer (GSO) concur with the terms, conditions, and location of the leased quarters.

The unified command must approve the chief's quarters and must have the RSO and GSO endorsement. If a waiver to the space standards is required, this, too, should be obtained from the Department of State before submitting a request for approval to the unified command. Funds for new replacement leases or renewals should be programmed in advance and included in the FY budget submissions. Additional new leases should be separately identified and justified as an unfunded request. Requests for lease replacements or renewals which exceed the \$25,000 cost threshold should reach the unified command sufficiently in advance of the renewal or start date to provide adequate time for review and approval before signing the lease. Lease requests forwarded to the unified command should include the following information:

- Name, rank, and position of the individual
- Whether the individual is the U.S. defense representative
- Number of official dependents who will reside at post
- Number of official dependents who will reside away from post
(dependents who reside at post less than 50 percent of the year)
- Rotation date
- Whether it is a new lease, replacement lease, or lease renewal
- Lease terms
- Description of property
- Address of property
- Net square footage of property
- Distance from normal work site
- Annual rent (in U.S. Dollars)
- Annual estimated utility costs (in U.S. Dollars)
- Annual estimated maintenance costs (in U.S. Dollars)
- Estimated move in/out cost
- Other associated lease costs not described above
- Whether the interagency board has approved
- Whether a waiver has been obtained from the Department of State on the space standards (If lease exceeds A-171 space standards)
- Whether the RSO has inspected and approved the property
- Security improvements needed/cost

- Whether the unified command approves of the lease
- Whether T-20 funds are available within the unified command/SAO budget to cover lease costs
- Justification

Each SAO should complete the applicable budget data to identify housing arrangements and total lease costs for authorized personnel.

Language Training

SAO Personnel. It is the Service's responsibility to assign language-qualified personnel to SAO duty as specified in the joint manpower plan (JMP). In 1990 DSCA developed the *Tailored Training Approach* to resolve the systemic problems associated with preparatory training for SA personnel. Furthermore, DSCA reviews all nominations for SAO chiefs. Unified commands should make sure the services assign only language-qualified personnel to SAO positions that require such expertise. Preparatory training for a SA assignment, when the individual must attend language school may take eighteen months or more. In these instances, replacements should be requested at least two years in advance.

There may be occasions when SAO personnel without appropriate language skills are assigned in country, and it is subsequently determined that language skills are necessary. In such instances, every effort should be made to obtain funding for language training from the applicable military department. Advance approval from both the unified command and DSCA is necessary before using SAO operating (T-20) funds for language training. However, T-20 funds may be used to purchase language-training materials for use by all SAO personnel for refresher training.

Spouses. The SAO operating (T-20) funds may not be used to pay for language training of spouses. Spouses are encouraged to attend language training with their sponsor prior to arrival in country. Spouses may enroll in language training at the Defense Language Institute on a space-available basis. Upon arrival in country, spouses may attend language training offered by the embassy, if provided at no charge.

Property Authorization and Repair/Replacement

Authorization. Vehicles and equipment should be authorized on the joint table of allowances (JTA), the applicable Army common tables of allowance (CTA), the applicable Air Force Tables of Allowance (TA), or other approved documents, including unified command-approved authorizations. Although funds are requested in a budget object class (e.g., other equipment), this does not

grant SAOs the authority to requisition or procure equipment items in the absence of the associated property authorization document.

Consider Repairing before Replacing. For vehicles and equipment items be replaced, the SAO must include a narrative statement (in the appropriate object class data) that includes the reasons for replacement and why it is not economically feasible to repair the items. For example, if an electrical appliance can have a motor replaced or if furniture can be re-upholstered or refinished locally, the motor or upholstery fabric and repair should be purchased locally instead of purchasing a complete end item.

Representational Funds

General Guidance. SAO representation funds will be used to maintain the standing and prestige of the United States by extending official courtesies to certain dignitaries and officials of the U.S. and foreign countries. The SAO chief may obligate representation funds only for official entertainment or other official purposes authorized in *DoD Directive 7250.13, Official Representation Funds*. Department of State guidance and policy on the use, accounting, and prohibitions for representation funds are in the *Foreign Affairs Manual*.

Exceptions must specifically be approved in advance by the unified command and DSCA. All official entertainment must be in keeping with propriety as dictated by the occasion and, in all instances, must be conducted on a modest basis.

Fund Limitations. DSCA will issue target ceilings to each unified command, which cannot be exceeded. The unified command will issue target ceilings to the respective SAOs. These ceilings cannot be exceeded without advance approval of the unified command. These funds are limitations in law for representational purposes and may not be used for other requirements, nor can other T-20 funds be used by the SAO to increase the ceiling.

While *DoD Directive 1100.12* establishes special command positions (four star/equivalent), which are entitled to amenities commensurate with the required level of official entertaining, including special allowances for table linens, china, etc, no SAO positions were included in this directive. Another reference is paragraph (a) of 10 U.S. Code 2387, which precludes the purchase of china, linens, kitchen utensils, etc.

Budget Preparation. The unified command total annual representation fund ceiling is identified in the approved AFP. This fund ceiling is issued by DSCA. Individual SAO representation fund ceilings issued by the unified command are part of the worldwide ceiling established by law. The unified command ceiling may not be exceeded without the express permission of DSCA.

Funds for representation costs will be included in the operating budget request for each SAO.

Vehicles

Armoring. Vehicles requiring and armoring and other special security measures may only be procured from the DoS or DoD approved companies.

Budget Planning. DSCA is committed to providing adequate vehicle support; to include normal passenger and non-passenger vehicles, light armored vehicles, or heavy armored vehicles. Depending on the unified command, vehicle procurement can take from six months to two years.

Thus, SAOs should plan; program, and budget for vehicles through their annual budget requests at least two years out to take into account the long lead-times needed to receive vehicles.

Depreciation. SAOs should follow the depreciation schedule of the Executive Agent for each AOR, as modified by the unified command. In the absence of explicit depreciation guidance, the standard depreciation schedule for vehicles will be based on seven years or 90,000 miles. (See DoD 4500.36R.)

Procurement Policy

"Buy American" Acquisition Rules. As noted in AR 1-75/OPNAVINST 4900.31/AFR 400-45, SAOs must consider the following when purchasing or leasing a vehicle:

- SAO administrative funds will not be used to finance the purchase, sale, long-term lease, exchange, or guarantee of a sale of motor vehicles unless these vehicles are manufactured in the U.S. Requests, ***with full justification for exception to this policy for security reasons only***, should be submitted through the unified command to DSCA for approval. This approval must be obtained prior to initiating any procurement actions.

- Armored vehicles will be purchased from approved sources only. Repairs to the armored parts of the vehicle will be performed only by authorized sources. Armored vehicles will be demilitarized prior to disposal. If demilitarization is not feasible (e.g., heavy armored vehicles), disposition of the vehicle must be accomplished through U.S. military channels.

Emergency Replacement. When there is a requirement for an un-programmed replacement, (e.g. accident, theft, fire, etc.) the SAO will submit an unfunded requirement to the unified command if it cannot be funded from within the SAO budget.

Domicile-to-Duty Transportation (DTDT). Only the unified command or higher authority can only authorize DTDT. The COM does not have this authority for SAO members. (See DoD 4500.36-R.)

Specific Policies for Indirect Costs

Aircraft (C-12) Flying Hours

General Guidance. As noted in the SAMM, Section 130304, dedicated C-12 aircraft have been assigned to selected countries. The primary mission of the dedicated C-12 aircraft is to support SAO program management. There is no legal basis to use SAO SA administrative (T-20) funds for C-12 flights for other than SA management purposes.

However, other missions may be flown when they do not have an adverse impact on the SA mission and when they are reimbursed. SAOs with C-12 aircraft must also abide by the policies in the aforementioned SAMM section.

Budget Preparation. The proposed current year and budget year flying hour programs must be justified by presenting detailed information in support of the total hours requested in the following four categories:

1. *Security Assistance Missions.* Include those hours flown for SAO responsibilities as outlined in the following statutory sources:

- The *Foreign Assistance Act* (FAA) of 1961, as amended, Section 515, Overseas Management of Assistance and Sales Programs.

- The *Arms Export Control Act* (AECA), as amended - normal administrative support related to sales of defense articles or services.

- Provide the number of flights by destination, flying hours, and purpose of the flight. Annotate flights requiring the aircraft to be flown out of the country.

2. *Maintenance.* Include those hours, which are flown while the aircraft is in a maintenance status or flown round trip to obtain maintenance. An explanation should be provided to distinguish whether the hours are associated with routine maintenance or scheduled major maintenance.

3. *Training.* This category should include instructor pilot training, proficiency training, or other flying training.

4. *Other missions (reimbursable).* Other missions are those flown for non-SA activities and missions that provide support to personnel (TDY, mobile training team (MTT), Mobile education team (MET), technical assistance field

team (TAFT)) whose transportation costs are funded by a specific FMS case. Examples of non-SA flights are disaster relief, exercises, visitors on non-SA business, and support of the U.S. embassy. Provide the same information for the number of flights, etc., as outlined above. Insure that the non-SA flying hours are separately identified in the Current Year and the Budget Year and are coordinated with the applicable organizations.

Flying Hours Reductions (Note for Unified Command)

Reductions to flying hours/costs may not be realigned to other cost categories in the budget development; a direct reduction to the total target level is required. Flying hours may be realigned among countries; however, an unfunded request may not be submitted for additional hours for a country where the unified command has reduced below the DSCA-approved level.

Antiterrorism/Force Protection

The Department of State is responsible for security of DoD personnel assigned to U.S. diplomatic missions abroad in accordance with the *Omnibus Diplomatic Security and Antiterrorism Act of 1986* unless the unified command has assumed the responsibility through a Memorandum of Understanding signed by the ambassador (COM) and the commander-in-chiefs (CINC). Security equipment, including residential security upgrades, is considered a State Department funding responsibility. DSCA will work with the unified commands, SAOs, and State Department to provide the necessary funding to provide adequate protection for the SAOs in those instances where the State Department cannot provide funding. When funds are not available at the unified command, the request should be forwarded to DSCA.

Within the budget submission, the explanation for physical security upgrades should identify the item and whether it is for the office or a residence. This justification will include a statement from the region security office (RSO) that the upgrades are valid requirements. If local guard services are for other than residences, this must be explained.

Assistance-In-Kind (AIK)

Assistance-in-Kind (AIK) that is provided by the host country will be entered in the special exhibit section under the category AIK in the SAARMS budget preparation module. The data will be entered in the various object class entries in the same manner as for T-20. Estimates of cost for these services supplied by the host country should be based on what it would cost if the SAO had to budget for them from T-20 funds.

Consecutive Overseas Tour Leave

An SAO member and command-sponsored dependents that are entitled to consecutive overseas tour consecutive overseas tour (COT) or in-place consecutive overseas tour (IPCOT) leave will have their transportation and per diem funded as follows:

- For leave taken under the provisions of COT, service funds will be used whenever new permanent change of duty station (PCS) orders are issued, and the permanent change of duty station is made.
- For leave taken under the provisions of IPCOT, service funds should be used when the member stays at the current duty station and no PCS move occurs. To obtain the required fund cite, the SAO should submit a message to the unified command with the names of travelers and their relationship to the sponsor, dates of travel, estimated costs of transportation and per diem, and destination.

Emergency Evacuation

In those exceptional situations where emergency evacuation of dependents and sponsors are directed, state and/or the unified command will provide specific instructions.

Emergency Leave

Authorization for SAO Military Members. T-20 funded SAO military members and command-sponsored dependents granted emergency leave by the SAO Chief are authorized round-trip commercial transportation at T-20 expense, provided government transportation is not reasonably available to the Continental United States (CONUS), Alaska, Hawaii, Puerto Rico, or U.S. possessions per AR 1-75/OPNAVINST 4900.31/AFR 400-45. In accordance with the *Joint Federal Travel Regulations*, Volumes I and II, the cost of commercial transportation authorized will not exceed the cost of government-procured commercial air travel from the international airport nearest the location of the member upon notification of the emergency or the location of the SAO member's permanent duty station to the international airport in CONUS to which a scheduled flight is available that is closest to:

- The international airport from which the SAO member departed.
- An airport in Alaska, Hawaii, Puerto Rico, a U.S. possession, or any other location outside of CONUS as determined by the service secretary, or designated representative, when authorized emergency leave.

There is no requirement to have a direct flight to the authorized airport, whether it is to the international airport nearest the location where the member was notified or to the international airport nearest the member's permanent duty station. Round trip transportation between overseas areas where there is an air mobility command (AMC) airlift service industrial fund (ASIF) is also authorized.

SAO U.S. Civilian Members and Dependents. T-20 funded U.S. civilians and their dependents, when bona fide immediate family emergencies arise may use ASIF channel aircraft on a space-required basis. They will pay the transportation cost at the U.S. government rate tariff to AMC in accordance with AFR 76-11. These individuals also have an option to travel on a non-reimbursable, space-available basis on DoD-controlled aircraft (see DoD 4515.13-R, paragraph 4-5). Commercial travel in connection with emergency leave will be at the civilian member's expense for SAO members and their dependents. Travel at government expense is authorized when a civilian is in a TDY status.

Emergency Medical and Dental Care

SAO operating budget funds can be used to pay SAO member (military or civilian) or dependent transportation costs for emergency medical and dental care requiring immediate attention. Military members are also provided per diem allowances in accordance with the *DoD Joint Federal Travel Regulations*. FMS case funds should be used to pay for emergency medical and dental transportation costs for FMS case-funded personnel.

- Following certification of the emergency by the SAO chief, whose certification must be based on the determination by the local medical officer or U.S. embassy nurse.
- To pay for transportation to the nearest aeromedical evacuation center or to the nearest facility that can provide adequate care.

International Cooperative Administrative Support System

What It Is. International cooperative administrative support system (ICASS) is a Department of State system that provides administrative services to U.S. government offices located overseas, to include SAOs. ICASS services include civilian personnel management, communications, information systems, budget and fiscal, and general services. These services are provided on a reimbursable basis at the Washington D.C. level, and actual SAO charges are settled between DSCA and the Department of State with SAO input. See Chapter 6 for more information concerning ICASS.

SAO Monitorship. All SAOs must carefully monitor their use of ICASS and ensure that the workload factors used by the embassy are accurate. SAO chiefs

will ensure that the ICASS agreement and charges are reviewed annually to be sure that charges are reasonable. In this regard:

- SAOs should reconcile cost differences between the Department of State's final ICASS bill and its local embassy's stated charges.

Preference for "direct charges". Department of State and DoD continue to seek ways to improve the ICASS system so that the user (SAO) is directly charged for actual services received, rather than charged pro-rated (distributed) costs based upon a complex computer-generated formula. If the embassy applies direct charges for a service, the SAO should verify that a duplicate charge is not included in the ICASS allotment for this same service. SAOs should work closely through local ICASS councils in seeking cost-effective and quality service improvements.

Budget Preparation. The current and budget year ICASS costs should be stated in prior year constant dollars.

Special emphasis should be placed on ensuring that ICASS costs for O&M and FMS case-funded personnel are charged to separate ICASS agreements.

Foreign Currency Expenditure Data

Each SAO spending more than \$30,000 in local currencies must report the dollar amount requiring conversion to the local currency are exempt.

International Armaments Cooperative Programs

International Armaments Cooperative Programs (IACP) is a non-SA functional area. Unified commands should submit a consolidated budget summary, and country budget submissions identifying all the costs associated with those SAO joint manpower program (JMP) billets that are funded by service appropriations as IACP. IACP includes armaments cooperation (AC), defense cooperation in armaments (DCA), and defense industrial cooperation (DIC).

Medical/Dental Care (Non-Emergency)

TRICARE. TRICARE provides funding for routine medical treatment for military members and their dependents.

Service-Funded. Unified commands coordinate the delivery of routine medical/dental care, which is funded by the services. Funding for travel of routine U.S. patient care, such as required medical and physical examinations, is to be financed by the member's service, not by SAO operating (T-20) funds.

Army and Air Force SAO Personnel. Army and Air Force SAO personnel and family members may be provided a fund cite from a centrally managed allotment. The unified command may provide this fund cite to SAOs annually in October; otherwise, contact the unified command as the need arises or in accordance with local instructions.

Navy SAO Personnel. Medical travel funds for Navy SAO personnel and family members are limited and are handled on a case-by-case basis; fund cites should be requested by message to Field Support Activity, Washington DC, per the format in Figure 4-1. Medical travel accounting data and standard document numbers will be assigned by the Field Support Activity with the concurrence of the chief of Naval operations (N09BF) on an individual basis; SAOs must only use the travel order numbers assigned.

Marine Corps SAO Personnel. Marine Corps SAO members will request fund cites by message to CMC Washington DC with an information copy to the unified command.

SAO Civilian Personnel. Routine health care for U.S. SAO civilians is funded through their government health plan or at personal expense.

Morale, Welfare, and Recreation Costs

Basic Funding Guidance. In accordance with AR 1-75/OPNAVINST 4900.31G/AFR 400-45, unified commands will establish MWR facilities and activities for their SAO and security assistance team personnel according to agreements with host nations. Morale, Welfare, and Recreation (MWR) activities will be financed with appropriated and non-appropriated funds of the service operating the activities in which SAO personnel participate.

Physical Fitness Facilities/Equipment. SAOs without access to proper or adequate facilities for physical fitness training should request MWR funds from the executive agent to purchase equipment or membership in civilian health clubs.

Personal Services Contracts

DoD activities are precluded by law from entering into any contract that is of a personal services nature. Law, on the other hand, permits Department of State to enter into personal service contracts. The SAO is a DoD activity that relies on the local embassy to perform contract officer functions on its behalf. The SAO chief must insure that no contracts of a personal service nature are initiated on the SAO's behalf. This includes contracts where the SAO could be included as a part of an embassy support contract.

Prior Year Obligations

Scope Changes. DSCA will not authorize increases to prior year obligational authority to cover upward adjustments to existing obligations that are the result of "scope changes." Such upward obligation adjustments constitute "new obligations" and must be financed from current year authority. However, valid upward adjustments which are the result of "within scope" price adjustments under the terms of a contract are chargeable to the appropriate fiscal year account against which the original obligation was charged.

Five-Year Period. Beginning with fiscal year 1995, SAO T-20 accounts remain available for liquidating valid prior year obligations until the end of their fifth expired year. In such circumstances, the SAO should cite obligation for the applicable prior fiscal year. (Example: at the start of FY01 on 1 October 2000, the current FY is 2001; the expired FYs are 2000, 1999, 1998, 1997, and 1996; and FY 1995 and prior years are closed.).

Validation. The SAO should review and validate expired year unliquidated balances at least quarterly.

Any obligations determined to be no longer valid will be de-obligated and subsequently withdrawn by the unified command. De-obligation of prior year funds with subsequent re-obligation of the same funds is not permitted. Valid disbursements may be made from these accounts up to the amount of unliquidated obligation balances for that year, and they will be processed against that year's obligations. Additional funding to cover upward adjustments in obligations must be requested from DSCA via the unified command. In this regard, the following information must be provided: original obligation amount, additional required funding authority, and source/reason for the additional obligation. All other upward obligation adjustments are charged against the current fiscal year account.

Foreign Service National Separation Trust

Foreign service national separation trust (FSN). Severance pay may be either a direct or indirect budget cost. Select countries are required to pay severance pay during the current year. In these situations the SAO will budget for severance pay as a direct cost. Obligations for the current year will be generated and payments recorded against them.

Those countries that manage severance pay as an indirect cost will include the requirement as an indirect cost in the budget submission. Each SAO will calculate the amount to be obligated each fiscal year and report that data as a memo entry in its budget submission. DSCA will consolidate the data and obligate funds centrally. Should a SAO require funds for separation pay during

the year, the SAO will submit an unfinanced request through the unified command to DSCA.

Travel Guidelines

Minimum Essential Travel for SAO Personnel. Consistent with the government-wide emphasis on reducing travel costs without having a negative impact on the accomplishment of critical mission objectives, official travel temporary duty (TDY) should be held to the minimum needed for essential program operations and accomplished at the lowest feasible costs. All proposed travel should be critically reviewed and prioritized by the unified command.

Frequent Flyer Mileage Credits. The Federal Travel Regulations prohibit the use of frequent flyer benefits accumulated while traveling on official business for upgrade to first-class air accommodations. However, frequent flyer mileage credits may be used to upgrade to premium-class other than first-class. Under no circumstances may mileage credits earned during official travel be used for personal travel.

First-Class Air Accommodations. First-class air accommodations may be authorized at government expense only when there is no reasonably available alternative, when exceptional security circumstances exist, or when the employee has a medically documented disability that makes first-class necessary to accommodate the employee's disability. The prohibition on first-class travel also applies when transportation expenses are accepted from a non-federal source under 31 U.S.C. 1353.

Use of the Miscellaneous Obligation Document (MOD). The security assistance automated resource management system (SAARMS) budget execution program includes the DFAS-approved MOD. This document is to be used to create obligations for requirements that are repetitive during the year. It allows the SAO to post various payments against it and to add additional authority during the year, while generating only one document number. Under no circumstances should the SAO use a MIPR to create T-20 obligations with the embassy.

Summary

Although the budgeting and expenditure of SAO operating (T-20) funds follow the basic rules associated with other U.S. government funds (e.g., O&M); there are some distinct and critical differences. It is imperative that T-20 funds be used only for expressly recognized security assistance related functions. Accordingly, the SAO budget must accurately address its estimated workload by functional or benefiting area. There are special rules that must be adhered to relative to C-12 aircraft flying hours reporting, verification of ICASS, GLH, and the

acquisition of vehicles and ADP equipment, to name a few areas warranting special attention.

CHAPTER 5

SAO Budget Preparation

Purpose

Accuracy and completeness of the budget submission will aid the unified command and Defense Security Cooperation Agency (DSCA) in the process of budget review. Complete justification, where required, will facilitate decision-making. The Security Assistance Automated Resources Management System (SAARMS) Budget Preparation Module will be used to prepare the Security Assistance Organization (SAO) budget submission.

General

The administrative budget for SAOs is prepared and submitted to the unified command for review and consolidation prior to submission to DSCA. This is done annually following the specific guidelines and limitations provided by DSCA in its annual (SAOs) budget call for the fiscal year (FY) 200X President's budget.

- The budget submission will address SAO costs for:
 - Actual obligations for the prior FY
 - Actual and projected obligations for the current FY
 - Revised estimates for the budget year
 - Initial estimates for the next budget year
- (Example: For the budget call submission due to DSCA in September 2001, the above fiscal years would be; prior FY (FY00); current FY (FY01); budget year (FY02); and next budget year (FY03).)

The budget call will include the total guidance figure by major cost category. These guidance figures will not be exceeded. Any funding requests above the guidance amounts should appear on the ***Unfunded Requests List***.

Budget data for personnel costs should be prepared using the staffing authorized in the Security Assistance Office Joint Manpower Plan (SAO JMP). Variations from the approved JMP must be justified with supporting documentation.

Cost estimates for military personnel pay and unfunded civilian retirement costs are excluded from SAO budgets in accordance with Section 9104, PL 101-

165, and FY90 *Defense Appropriation Act*. Cost estimates for SAO Coast Guard personnel will be determined by DSCA.

The unified command prepares consolidated budget data and submits an overall assessment of SAO operations.

Budget Preparation Module

The budget preparation module will be used to prepare the SAO and unified command consolidated budget for DSCA. This module has been developed to accommodate the requirements of the SAO, the unified command, and DSCA for the development of the budget submissions. It was designed using the “zero-based” budget concept. This allows the SAO to verify the estimated costs of the recurring requirements, as well as one-time requirements. The entry screens are designed to allow the SAO to enter the level of detail needed to develop the budget and generate reports requested by the unified command to review, adjust if required, and consolidate the individual SAO budgets into a consolidated report to DSCA. The screen uses a color code to alert the SAO to the fields that must have data entered versus optional fields. Mandatory fields are indicated in red. The program is designed to allow the optional use of the JMP line number as a management tool. The use of the JMP line number allows the program to provide the aggregate costs associated with an individual assigned to an authorized position. This may be helpful when increases or decreases in the authorized manning or target levels of available funds require management decisions. The “function” criteria can be used to delineate the costs associated with a function, (e.g., training office).

The program separates the budget data into direct charges, indirect charges, and special exhibits.

The budget preparation module entails three distinct functions; set-up, budget data entry; and output preparation.

Set-Up

The set-up function allows the SAO to enter the constant data information for the:

- **Fiscal Years.** This permits the SAO to set the corresponding FY with the year of the budget (e.g., year 1 would equal FY01).
- **Country and Fund Category.** E.g. T-20, O & M, DCA, TCA.
- **Point of Contact.** The individual in the SAO responsible for the budget information, including country, name, phone number, e-mail address and unified command.

- **Personnel.** The entry screen for personnel allows the SAO to enter the pertinent information on each authorized position. The **JMP Number** is a tracking field for all costs associated with that position, (e.g., rent, dependent schooling, residential guard).

- **Dependents.** The entry screen for dependents allows the SAO to enter each family member. The JMP number ties the family member to the sponsor. The status of sponsorship also serves to alert the budget officer of entitlements that the individual may or may not be eligible for. Non-command-sponsored dependents and overseas limited sponsorship limits entitlements.

- **Inflation factors.** This function allows the SAO to enter inflation factors against object classes for calculation of budget year estimates. It can be used when DSCA provides factors in the budget call or the SAO is aware of in-country factors. This is an optional function.

Direct Charges

Direct charges are those estimated costs for requirements for which the SAO will be authorized to obligate funds. They are normally categorized in the budget by Office of Management and Budget (OMB) object class. The data to develop the budget is entered by object class entry screens. The following section will list the separate entry screens and explain selected entries.

Direct Charges T-20

- Full-Time Permanent Compensation
- Other Than Full-Time Permanent Compensation
- Other Personnel Compensation
- Civilian Personnel Benefits
- Benefits for Former Personnel (Severance Pay) (Memo entry)
- Travel and Transportation of Persons (TDY)
- Transportation of Things
- Rental Payments to Others (Rents and Leases)
- Communications, Utilities, and Miscellaneous Charges
- Printing and Reproduction
- Other Services
- Education of Dependents
- Operation and Maintenance of Facilities
- Operation and Maintenance of Equipment
- Supplies and Materials
- Equipment

Direct Charges - Non-T-20

This function provides the SAO with the capability to enter other than T-20 program requirements. This function includes all of the separate object class areas that are in the Direct Charges T-20. Assistance-in-kind (AIK) will be entered in this functional area.

Indirect Charges

Indirect charges are used for those mission requirements like ICASS support, local guard services, and Coast Guard salary costs. The SAO directs the execution of these requirements, but does not receive obligational authority, since the bills are paid centrally by DSCA.

ICASS

The SAO will obtain the estimated bill for the ICASS charges the from local ICASS council and enter this amount in the data entry screen. Any clarifying remarks will also be added in the narrative field.

Local Guard Services

The amount of the SAO's share of the local residential guard services charges and an explanation for these charges will be entered in the narrative field.

Special Exhibits

Special Exhibits include areas of special interest to DSCA. These include C-12 Flying Hour Program, AIK, and unfunded requirements, estimated expenditures in foreign currency, and estimated funding requirements by quarter.

C-12 Flying Hour Program

This exhibit provides DSCA with information concerning the estimated SA mission flying hours being requested by the SAO. The cost per hour will be provided in the annual budget call. The required information is the number of trips, the total hours and the total cost. The narrative should be used to justify the hours.

Foreign Currency

This exhibit provides DSCA with information concerning the dollar amounts of SAO expenditures requiring conversion to the local currency. Identify actual

and estimated local currency rates. Expenditures of less than \$30,000.00 are exempt from this requirement.

Severance Pay

The SAARMS foreign service national (FSN) severance pay worksheet is used to identify potential FSN severance pay liabilities. The input in the SAARMS indirect cost table is calculated for each FSN but is put into the work sheet in total by FY. There are some exceptions to how FSN severance pay is budgeted for, if you have any questions contact your unified command. All other severance pay is accounted as an accrual under the benefits portion of civilian pay.

SAO Workload Distribution By Functional Area

Each SAO must analyze the current and projected workloads and submit a statement providing the estimated distribution of the SAO's activity as a percentage of total workload.

- The functional areas are:
 - **Military assistance program (MAP) for FY81 and prior.** Workload attributed to MAP Grant Aid programs (FY81 and prior FYs). Attributable workload includes effort associated with monitoring, transferring, or disposing of equipment provided solely with MAP Grant Aid monies.
 - **Foreign Military Sales (FMS).** Workload attributed to sales of materials, equipment, and services. The FMS case-funded training would be included in this category. This workload includes effort associated with cash, FMF credit, FMF grant aid, and MAP merger-funded sales. Also included are the pre- and post-letter of offer and acceptance efforts.
 - **International military education and training program (IMET):** Workload associated only with education and training funded by the IMET and expanded-international military education and training program (E-IMET). This workload can involve soliciting student nominations; identifying IMET requests; coordination with the services, the unified command, the host country, and other agencies under the Ministry of Defense; screening student records, policy research; obtaining student airline tickets; issuing per diem advances; issuing invitational travel orders and amendments; and administering language proficiency tests to determine student qualifications; etc.

- **Coast Guard Personnel.** Only those SAOs that have Coast Guard personnel assigned in SA-funded JMP positions will enter data in this indirect charge.

Coast Guard Personnel. Only those SAOs that have Coast Guard personnel assigned in SA-funded JMP positions will provide a memorandum entry. This entry will provide name, grade, and years of service.

- **End Use Monitoring (EUM).** Workload associated with monitoring (or negotiating the specifics on the legitimate) end-use of high-risk defense articles and services transferred on a government-to-government basis. Include workload, as tasked by the Embassy Blue Lantern POC, on end-use issues concerning commercial defense article transfers and Embassy Blue Lantern investigations pertaining to alleged cases of misuse of defense articles or services transferred on a government-to-government or commercial basis.

- **Other Security Assistance (SA).** Workload associated with administrative activity/involvement in various FAA-related drawdowns of defense equipment and the provision of excess defense articles. If you have additional other security assistance workload, identify it in the remarks section.

- **Non-SA.** Workload activities related to staff interaction with other U.S. military or governmental agencies; NATO or other U.S. alliances; and other activities not included in the SA categories listed above when the SAO is acting as the U.S. defense representative in country. This workload category includes operations and maintenance appropriation (O&M) related workload such as combined or single country military exercises, defense cooperation in armaments or defense industrial cooperation effort, and non-SA state department programs such as Peacekeeping, Biodiversity, Humanitarian Assistance, Civic Action, and Democracy Building. Identify the type of non-SA workload in the remarks section.

Note. The efforts of general support SAO personnel (e.g., administrative/clerical staff, supply, motor pool), and representational activity time should be distributed proportionately to each of the functional areas listed above in accordance with the relative percentage distribution of workload for operational personnel. This is necessary to ensure that an appropriate share of total SAO costs, including general support and representational activities, are properly allocated to both FMS administrative and FMF administrative funds. Appropriated FMF administrative funds are used to fund the non-FMS effort expended by the SAO, i.e., IMET, EUM, FY91 and prior MAP, other SA, and non-SA.

Quarterly Funding

The SAO will enter the dollar amount of funding authority estimated for each quarter based on requirements. The total will not exceed the target ceiling

provided by the unified command. Any requirements below the funding line will be included in the unfunded requirements list.

Unfunded Requirements

The unified command will prepare a prioritized list of the unfunded requests from its SAOs. Each item approved by the unified command should be ranked in priority order) and should identify the applicable object class (or categorization of the costs by object class designations if more than one is relevant to the item).

SAO Chief's Narrative

This is the single most important part of the budget submission for both the T-20 and the O&M budgets. Clear, precise justification as to why the requested funding is required, to include the impact on the mission, any changes that have occurred or are pending that have caused the increase or decrease in the requirement.

SUMMARY

Preparation of the T-20 SAO operating budget requires the SAO to be familiar with the applicable budget formats and supplementary guidance from DSCA and the unified command. The SAO budget consists of data for four years, starting with the prior fiscal year and ending with the next budget year.

CHAPTER 6

International Cooperative Administrative Support Services

What is ICASS?

- Is a customer-driven, voluntary interagency system for managing and funding administrative support services abroad;
- Gives posts the authority to determine how services are delivered, at what cost and by whom;
- Has customer service standards established by the post, with the service provider formally accountable to the customer; and
- Incorporates a full cost recovery system through a no-year working capital fund.

GOALS:

- Improved administrative service and reduced costs
- Customer satisfaction
- Highest quality and most economical service provider including the private sector
- A transparent system of cost-sharing and reimbursement for services
- Equitable distribution of administrative costs.

You are the Key to Success

ICASS is a truly revolutionary way of doing business at our posts. To make it work will take the enthusiastic participation of everyone involved. Innovation, experimentation, and risk taking are encouraged at all levels. ICASS is an evolving system adaptable to local circumstances. The challenge of declining resources provides an opportunity, using ICASS, to eliminate waste, inefficiency and redundancy and to redefine priorities. Most importantly, ICASS allows you, the users, to have more control of administrative resources.

Tools for Implementation

The **ICASS Handbook**, *6 FAH-5-ICASS Handbook*, provides the tools with which missions and agencies can implement ICASS. The handbook is revised periodically based on reader response and the continuing evolution of ICASS. It includes a listing of additional ICASS-related resources.

ICASS has **changed for the better** the way administrative services are delivered for each mission. The Washington ICASS executive board, working group and service center work in concert to address policy issues so that missions have all the tools to move forward.

Replacing the FAAS system, which required agencies to pay for overseas services from the State Department with little control over costs and quality of service, ICASS established locally empowered councils representing all agencies at post to manage and evaluate all services. Funding of local costs moved to post, and local managers retain savings as an incentive to develop cost savings initiatives. Focusing on the needs of the customer, the councils have clear cost reports to evaluate service alternatives (through comparison-shopping), and they share responsibility with the service provider for the most cost efficient and effective provision of interagency administrative service. The serviced agencies also have input into the evaluation of service providers.

ICASS was developed in response to NPR initiatives that introduced an entrepreneurial spirit and teamwork to improve service in the field. The old system (FAAS) just was not up to the task - a system with the Department of State as sole service provider, charging for services through a complex and opaque arrangement where users had little effect on resource decisions. Thus, the old system is out, and ICASS, fully operational in FY98, was founded on the principles of local empowerment, equity, transparency, selection of service providers, and customer service standards and principles.

Local Empowerment

To effect "local empowerment", each mission has the following in place:

- A council composed of the senior representatives of each agency,
- A charter establishing and empowering the council,
- Standards by which to measure service quality,
- Designation of service providers,
- Memoranda of understanding as participating agencies' contracts with providers, and
- A budget prepared using the Cost Distribution System software.

At larger posts, an "ICASS working group" should be formed as support for the council. The ICASS concept is centered on the principle of customer service. The

Council must find ways to communicate with users at all levels to assure that customers are receiving the proper service.

In Washington, the ICASS executive board, supported by the interagency working group, will continue to address unresolved policy issues and serve the field by considering thorny operational problems as they arise.

The working capital fund, through which all ICASS funding flows, will improve flexibility to manage administrative support funds. All costs will be captured, recorded and clearly identified by service and agency, creating a transparent system. The WCF's no-year funding allows planning on a long-term basis and dispenses with wasteful year-end spending.

Posts have more say in how business is done in the delivery of administrative services. Under ICASS, posts have more responsibility and authority to manage their resources. Each Mission has an ICASS Council made up of senior managers representing each agency at the post. SAO Chiefs may represent more than one DoD program, but will have separate agreements for each. Like a corporate board of directors, the Council is responsible for the overall management of shared administrative support activities, including the cost-effective use of resources, selection of service providers, establishment of customer service standards, and priorities within the administrative support delivery system. Local empowerment means delegation of the providers' personal services contracting (PSC) authority to the posts, the introduction of a local working capital fund so posts have more flexibility in using their resources, and putting in place a cost-distribution system to track true costs by service.

Transparency

Posts and headquarters can understand the basis for costs. All costs are clearly shown by agency for all post and non-post-related services, using an agreed-upon method. Budget and management information systems allow every post and agency to see and influence shared administrative costs, by service and by agency.

Selection of Service Provider

Posts choose who does what. Posts, through the councils, may look at other possibilities to get administrative support, consulting, and professional services in lieu of or in addition to those provided through the Department of State. Another agency at post might wish to provide a service for all participating agencies within the Mission, if it could do the job cheaper and more efficiently. Other choices to improve services or cut costs are commercial contractors, regionalization of support activities, the introduction of improved technology, and any other source that makes sense.

Customer Service Standards and Principles

Users have say in what they want and what they get. Customer service is a key element of ICASS. Looking at the needs of the post and the resources, the Council will establish standards for administrative services and evaluate the performance of the service provider in meeting them. The agencies at posts, which are the customers, hold the service providers accountable for their performance and, through the Council, seek ways to improve services and reduce costs.

Local Council Precepts

Use consensus to reach all cost and operational decisions.

Participation in various services offered is voluntary except for a basic service cost.

The Council decides which services will be provided.

The Council may be designated any agency as a service provider, or services may be contracted out commercially based on lowest cost and quality service.

Councils will exercise authority over ICASS resources and systems at post, with final authority with the COM. Issues not resolvable at post may be appealed to the Washington Executive Board.

A working capital fund was established into which all-participating agency contributions are deposited at the beginning of the FY. A transparent cost distribution of funds is maintained.

The Council will evaluate the performance of the service provider in writing.

Current service providing agencies must continue all services until a one-year notice of intent to terminate is provided to customer agencies. Serviced agencies must provide six months notice to discontinue service.

Each mission has an ICASS Council and a Charter and MOU for services.

The Council has developed standards for serving customers based on joint priorities.

Summary

ICASS provides a viable method of providing administrative services at a Post. The SAO Chief has a very important role as a member of the local council.

CHAPTER 7

Security Assistance Automated Resource Management Suite

Purpose

This chapter provides a brief history and systems description of *Security Assistance Automated Resource Management Suite* (SAARMS). As the modules for this system are developed, each will have its own software user's handbook.

Background

In August 1991, Defense Security Cooperation Agency (DSCA) adopted an automated software program that was developed by Headquarters, USCENTCOM, for the security assistance offices (SAOs') automated memorandum accounting and budget execution requirements as the standard software for worldwide use. In the process, allowance was made for other unified commands' unique requirements. This product, titled the *SAARMS Budget Execution Module*, has been distributed to all unified commands and SAOs, and these organizations have received training on its use.

Since the adoption of the SAARMS Budget Execution program, the security assistance network (SAN) policy steering board has approved the development of integrated modules for budget preparation, and property management. Requirements for reports and data consolidation at the unified command, DFAS-AYADS/DE, and DSCA have been included in each of the modules as required. Each of these modules is discussed below.

With the adoption of the *SAARMS budget execution module* as the standard system for the SAO feeder accounting system, in FY86 Defense Security Cooperation Agency (DSCA) directed that T-20 funds would be allocated directly to the unified commands for further distribution to the SAOs. The accounting procedures would follow the DFAS-DE memorandums, and the unified commands and SAOs were no longer required to use the service regulations and systems for T-20 funds management.

Budget Execution Module

The budget execution module automates the manual record keeping of the daily SAO budget execution functions. This module includes the following features:

- One-time entry of data combined with mathematical calculation functions to reduce human error
- Interface with the Installation Accounting System (Air Force BQ system)
- User-friendly software

- Incorporation of "generally accepted accounting principles" in the design
- Audit trail of budget execution transactions
- Generation of financial reports for the servicing accounting and finance office and the unified command
- Local activity management reports
- System integrity and security through password control
- Planned interface with the budget preparation and property modules

The budget execution module uses *Microsoft Access* as the software platform, as a stand-alone "run-time" system for a personal computer (PC) in each SAO. The transfer of data and reports is accomplished electronically using the Integrated Security Assistance Automated Resource Management System (ISAARMS) contained within the SAN WEB. ISAARMS is the primary method to upload the SAO end-of-the-month reports to DFAS-AYADS/DE. Alternate electronic capability incorporates the features of the MS Office software programs and E-mail to forward reports to the unified command and DFAS-AYADS/DE. As a last resort the reports can be generated and transmitted using the fax as required.

Budget Preparation Module

The budget preparation module standardizes the SAO budget submission. The budget preparation module uses *MS Access* as the software platform, in a "run-time" version as a stand-alone system for a PC in each SAO, unlike most budget preparation programs, manual or automated, this module allows the SAO to use the "zero-based" budgeting concept. The module uses the concept of entering the requirements by object class (direct funded) and Indirect funded (those requirements that are directed by the SAO, but centrally paid by DSCA). It generates the required reports and provides automated mathematical calculations. The data files can be transmitted to the unified command electronically by file transfer with e-mail or by mailing a "floppy disk". The unified command can consolidate the separate SAO requirements and make adjustments as required before forwarding the data to DSCA. DSCA consolidates the data into a single worldwide file for use as required.

Future enhancements are planned to include an automated interface with the data generated by the budget execution module, the property module, and previous budget submissions. Although the budget development process will be less labor intensive as a result of the automation, the SAO Chief must still review the proposed budget prior to submission to the unified command to accommodate anticipated changes in resource requirements.

Property Module

The property module is used worldwide by many SAOs. It uses MS Access as the software platform, as a stand-alone “run-time” version for a PC in each SAO. It provides a system for the SAO to manage equipment and other controlled property. It was developed initially by the SAO in Bonn, Germany, and then further enhanced by Headquarters, EUCOM. It is now managed by DISAM. It used the Army property management concepts to provide the SAO an automated means of managing authorized property.

This module includes:

- Records authorization for property
- SAO property book
- Individual hand receipts
- Hand receipt holder file
- Document Register
- Timely information for budgeting of replacement property

Maintenance of SAARMS

Since SAARMS version 1.0 was fielded in 1991, several major enhancements have been included. Over the years the software has become relatively stable, in that all major requirements are already included. Users are highly encouraged to recommend changes to the software and to submit them to the unified command, who will in turn refer them to DSCA. DSCA/Compt//RM who will review the requirements with the DISAM to the development team and develop priorities. Additionally, new requirements are solicited at annual unified command budget. Formal surveys of participants and private discussions are the vessel used to garner these inputs.

Once inputs are received, DSCA/Compt/RM and the SAARMS team discuss the recommendations, determine the validity of each, and develop a timeline for completion of each task. DSCA/Compt/RM assigns a priority and coordinates with the unified commands before programming the changes begins.

Testing

New versions of the SAARMS software are tested in four ways.

- First, internal testing is conducted by DISAM faculty members to determine if the software performs accordingly and is user friendly.

- Second, the software is distributed to several handpicked SAOs for their testing in a normal work environment.
- Third, the software is introduced into the training exercise of the DISAM Overseas class to determine if novice SAO personnel can easily use the software.
- Fourth, the staff at DISAM for testing in their normal work environment uses the program.

Once feedback is received from each of these testing entities, corrective programming is accomplished and retested, and the software is distributed worldwide.

Implementation

SAOs should install the software on receipt and start using it. When a new version of SAARMS is distributed, one of the key advantages is that all previously reported “bugs” should have been fixed, and additional enhancements have been added. By implementing the software upon receipt, SAOs can usually reduce the number of errors incurred while using the software and improve office efficiency.

Training

Training on the software is conducted in several different ways.

- First, and foremost, the user is exposed to the software while attending the DISAM Overseas Course. As part of the two-day SAARMS specialized training, students receive approximately 16 hours of hands-on computer time to complete the SAARMS exercise. This exercise is designed such that the user not only learns all the functionality of SAARMS, but also all the interfaces to other systems, i.e. the SAN and ISAARMS.
- The second major training opportunity on SAARMS occurs at the unified command budget conferences. Normally, attendees will receive 1-4 hours of hands-on training with the software during daily meetings. Additional time is made available after hours for individuals needing further training.
- Training is also conducted on a regular basis by telephone or e-mail. This training is short and covers only one facet of working with the software.
- Finally, training is done on an ad hoc basis during tutorials, seminars, other meetings, or on-site visits if required.

User Manuals

These manuals provide information on how to install and use the software. Additionally, they explain the interfaces between other systems, such as the SAN, ISAARMS and SAARMS. The manual is designed to be completely comprehensive in nature including screen shots of SAARMS and appendixes explaining the codes used.

Software and Hardware

Generally, upgrades to run the SAARMS software worldwide are not required, as the modules are distributed in a run-time format.

There are some super users who try to generate their own reports and forms, but they often must purchase updated software (i.e., MS Access 2000) using local unit funds. DISAM does not provide for comprehensive purchase of software. Hardware upgrades, although not required in most cases, are certainly desired. The SAARMS software will run on older machines, but there is a definite reduction in efficiency and effectiveness when using an older computer. Generally, replacement computers should be purchased on a three-year cycle to ensure that each SAO is up to speed with enhanced software requirements.

SUMMARY

The SAARMS software modules developed or under development provide standard procedures and information reporting for SAOs worldwide. The maximum use of electronic reporting is being continually incorporated in all modules to reduce the need to mail or fax information. The software has been designed to reduce the duplicative data entry and manual calculations to reduce the probability of error.

CHAPTER 8

Internal Management Controls

Purpose

This chapter highlights the role and importance of Internal Management Controls (IMC) Program at the Security Assistance Office (SAO) level. The *Federal Manager's Integrity Act* of 1982 requires federal agencies to establish an IMC system. The Department of Defense (DoD) has implemented the IMC Program through *DoD Directive 5010.38*, and the unified command may promulgate further IMC regulations.

Rationale and Scope

The basic tenet of the IMC Program is to have controls that prevent fraud, waste, abuse, and mismanagement. These controls must be in place and working as an integral part of the daily operating procedures. Supervisors at all levels must be personally involved in the establishment, operation and review of internal controls.

The IMC control systems must provide reasonable, but not absolute, assurance that the objectives of the systems will be accomplished. Moreover, the cost of administering the program should not exceed the benefits anticipated. The internal control structure is subject to inherent limitations, especially in small SAOs. Segregation of duties and management supervision is compounded in these SAOs because of the limited number of personnel and the requirements to perform mission requirements when members are absent for valid reasons.

Terminology

- Internal controls the methods established to accomplish the program.
- Assessable unit-basic building block is a function, task, activity or procedure.
- Assessable unit listing a list of all assessable units maintained by the unified command.
- Assessable unit manager the unified command IMC functional manager.
- Risk level is the potential degrees of risk of waste, fraud, abuse, and/or mismanagement assigned to an assessable unit (high, medium, or low).

- Risk assessment the formal documented review conducted by the unified command or SAO Chief.
- Alternative risk assessment an informal review of the risk.
- Internal control review a detailed examination by the user.
- Alternative internal control review a detailed examination by an external agency.
- Material weakness is the identification of a systematic problem.
- Vulnerability assessment is a review of the susceptibility of a program or function to fraud, waste, unauthorized use, or misappropriation.

Standards

As a minimum, the program, as it relates to the SAO budget area, should include the following standards:

- Documentation. Control systems and all transactions must be documented clearly, and the documentation must be readily available for examination. Once SAARMS is fully implemented, this standard will be followed as a natural byproduct.
- Recording of transactions and events. Transactions and other significant events shall be recorded promptly and classified properly. The SAARMS Budget Execution Module is readily designed to record transactions. Users must understand the various funding categories to classify transactions properly.
- Execution of transactions and events. Transactions and other significant events shall be authorized and executed only by persons acting within the scope of their authority. For instance, prior to the commitment or obligation of funds, the SAO should ensure that the quarterly/annual funds authorization has been received through the unified command. Further, the SAO must adhere to any directed funding limits (e.g., ceilings, "fencing") for various categories of expenses (e.g., representation funds). Also, the local system should ensure that "must-pay" expenses (e.g., FSN payroll) are recognized and receive appropriate priority vis-a-vis discretionary expenses (e.g., office supplies).
- Separation of duties. Key duties and responsibilities in authorizing, processing, recording, and reviewing transactions shall be separated among individuals. Where SAO manpower levels permit, the duties of the SAO fiscal clerk (e.g., entering obligation documents into SAARMS) should be distinct from those of the SAO fiscal officer (e.g., setting budget category limits). Moreover,

the funds obligation process (SAO budget officer responsibility) should be separate from the bill-paying process (embassy budget and fiscal officer responsibility).

- Supervision. Qualified and continuous supervision shall be provided to ensure that control objectives are met. The supervisory responsibility starts with the SAO chief and others in the unit chain-of-command.

- Access to and accountability for resources. Access to resources and records shall be limited to authorized individuals, and accountability for the custody and use of resources must be assigned and maintained. This standard extends to the overall administrative and property management areas of the SAO and the budget area. For instance, within the budget area, the SAO should maintain a long-distance telephone log to track official calls and periodically reconcile this log to actual telephone bills to identify any unauthorized calls. The frequency of comparison in this and similar situations shall be a function of the *vulnerability* of the asset.

Moreover, this control further implies *independent checks of records and reports*. Simply stated, the initiator of a record should not be the reviewer of a record. The SAO fiscal officer should check the records of the SAO fiscal clerk, and the SAO chief should periodically check the work of both.

Starting with the SAO Chief, periodic *management reviews* should be conducted to ensure compliance with established procedures. Moreover, the unified command is responsible for conducting management reviews as part of the ongoing inspection/assistance schedule.

Role of the SAO

The IMC process involves the commitment of all SAO personnel. The SAO chief performs the informal local *risk assessment* for each *assessable unit*. The SAO chief uses the *Assessable Unit Listing* to review the implementation and adequacy of the SAO's IMC program. This is required each September. The SAO chief reports once a year on the IMC program status to the unified command. The unified command must report annually to the Secretary of Defense on the IMC status within his command.

The SAO POC has the following responsibilities: document the program; teach assigned and attached personnel about the program; ensure internal control reviews or alternative internal control reviews are conducted; and document performance of alternative internal control reviews. Other SAO members and attached personnel implement the internal control program in the day-to-day procedures.

Summary

In compliance with statutory and DoD regulatory requirements, all SAOs must have an IMC Program. Proper understanding and implementation of the program will ensure better management and may prevent a unit from getting into serious trouble, due to the lack of such oversight.

Appendix A

Abbreviations (Brevity Codes) and Acronyms (Pneumonias)

AAA	Authorized Accounting Activity
AC	Armaments Cooperation (see IACP)
ADP	Automated Data Processing
AECA	Arms Export Control Act
AFP	Annual Funding Program
AID	Agency for International Development
AOR	Area of Responsibility
AIK	Assistance-in-Kind
BAQ	Basic Allowance for Quarters
COT	Consecutive Overseas Tour
CRA	Continuing Resolution Authority
CTA	Army Common Tables of Allowance
DAO	Defense Attaché Office
DAS	Distributed Administrative Support
DCA	Defense Cooperation in Armaments (see IACP)
DFAS	Defense Finance and Accounting Service
DFAS-DE/	Defense Finance and Accounting Service-Denver Center Deputate for Security Assistance
DIA	Defense Intelligence Agency
DIC	Defense Industrial Cooperation (see IACP)
DISAM	Defense Institute of Security Assistance Management
DLI	Defense Language Institute
DoD	Department of Defense
DSCA	Defense Security Cooperation Agency
DSSR	Department of State Standardized Regulation
DTD	Domicile-to-Duty Transportation
FAA	Foreign Assistance Act of 1961
FAAS	Foreign Affairs Administrative Support
FAS	Foreign Agriculture Service
FBO	Foreign Buildings Office
FCS	Foreign Commercial Service
FEML	Funded Environmental and Morale Leave
FMF	Foreign Military Financing
FMO	Financial Management Officer
FMS	Foreign Military Sales
FSC	Financial Service Center
FSN	Foreign Service National
FY	Fiscal Year
GAO	General Accounting Office
GPL	Government Paid Lease
GSO	General Services Officer
ICASS	International Cooperative Administrative Support System
IACP	International Armaments Cooperative Programs (see AC, DCA, DIC)
IDSS	Interoperability Decision Support System
IG	Inspector General
IMC	Internal Management Control

IMET	International Military Education and Training Program
IPCOT	In-Place Consecutive Overseas Tour
JCS	Joint Chiefs of Staff
JFTR	Joint Federal Travel Regulations
JMP	Joint Manpower Plan
JTA	Joint Table of Allowances
LGP	Local Guard Program
LQA	Living Quarters Allowance
MAP	Military Assistance Program
MET	Mobile Education Team
MTT	Mobile Training Team
MOD	Miscellaneous Obligation Document
MORD	Miscellaneous Obligation Reimbursement Document
MWR	Morale, Welfare, and Recreation
OHA	Overseas Housing Allowance
OMB	Office Of Management and Budget
O&M	Operations & Maintenance Appropriation
OSD	Office of the Secretary of Defense
PC	Personal Computer
PMR	Program Management Review
RSO	Regional Security Office
SA	Security Assistance
SAAC	Security Assistance Accounting Center
SAARMS	Security Assistance Automated Resources Management System
SAMM	Security Assistance Management Manual (DoD 5105.38-M)
SAO	Security Assistance Organization (or Office, or Officer)
SAN	Security Assistance Network
SAS	Shared Administrative Support
T-10	Abbreviation for Services/DSCA FMF administrative funds
T-20	Abbreviation for SAO/Unified Command FMS/FMF Administrative Funds
TA	Tables of Allowance
TAFT	Technical Assistance Field Team
TDY	Temporary Duty
TMS	Training Management System
TTA	Tailored Training Approach
UFR	Unfunded Request
USCINCCENT	U.S. Commander-in-Chief, Central Command
USCINCEUR	U.S. Commander-in-Chief, European Command
USCINCPAC	U.S. Commander-in-Chief, Pacific Command
USCINCSO	U.S. Commander-in-Chief, Southern Command

APPENDIX B

Glossary of Terms

Executive Agency - The Military Service responsible for the provision of logistical and administrative support to a DoD element in a foreign country or international organization.

Annual Funding Program (AFP) - The approved annual dollar resources provided to each SAO for accomplishment of its assigned mission. The AFP represents the total dollar value of all budget categories and cannot be exceeded.

Authorized Accounting Activity (AAA) - A financial organization (e.g., a Defense Finance and Accounting Service activity or a MILDEP accounting office) assigned to perform official accounting services for a field activity (e.g., SAO). The AAA maintains the official accounting records, whereas the field activity maintains the memorandum account records.

Budget - A plan of operations for a fiscal period in terms of (a) estimated costs, obligations, and expenditures; (b) source of funds for financing including anticipated reimbursements and other resources; and (c) history and workload data for the projected programs and activities.

Budget Call - Budget-planning guidance provided from the higher funding authority, down the chain of command for administrative funds allocation.

Budget Execution - The accomplishment of the plan prepared during budget formulation. It is the process established to achieve the most effective, efficient, and economical use of financial resources in carrying out the program for which the funds were approved.

Budget Request - The actual budget, in response to the budget call that is submitted up the chain of command or through the administrative path of funds control.

Commitment - A firm administrative reservation of funds based upon procurement directives, orders, requisitions, authorizations to issue travel orders, or requests, which authorize the recipient to create obligations. The act of entering into a commitment is usually the first step in the process of spending available funds.

De-obligation - The reversal of an original obligation in whole or in part (cancellation or reduction of an obligation due to cancellation of an order, a price revision, or correction of an amount previously recorded as an obligation).

Disbursement - The actual expenditure (payment) of funds based on supporting documentation proving receipt of goods and services.

Excess Funds - Funds, which are excess to current needs that can be redistributed or reallocated. Excess funds are generated by changed/reduced requirements, overestimated budgets, etc.

Fiscal Officer - The primary staff individual (officer, NCO, or civilian) within the SAO who is responsible for the control of operating funds issued by the unified command budget officer. The SAO Chief should appoint the Fiscal Officer in writing.

Fiscal Year (FY) - The period from 1 October to 30 September.

Liquidated Obligation - An obligation that is matched with an expenditure.

Management Control - Internal checks established to safeguard property and funds; to check accuracy, reliability, and timeliness of accounting data to promote operational efficiency; and to ensure adherence to prescribed management policies and procedures.

Memorandum Account - An account at the SAO level used for obtaining data required for control, reporting, and other management purposes. (Note: The Budget Execution Module of the Security Assistance Automated Resource Management Suite, or SAARMS, is designed to provide for memorandum account tracking at the SAO level.)

Object Class - Numeric classification used to identify the type/category of SAO T-20 cost, e.g., Object Class 26.0 is the cost of Supplies and Materials.

Obligation - A legal reservation of funds usually recorded at the time a legal binding agreement has been reached between an agent of the USG (e.g., the embassy GSO) and a second party. Obligations consist of orders placed, contracts awarded, services received, or similar legally-binding commitments during a period that requires outlays at the time of commitment or later.

Reprogramming Authority - Authorization from the Unified Command that allows an SAO to shift dollar ceilings between budget categories, e.g., "FSN Pay" to "Other."

Undistributed Disbursements - Disbursements not processed by the AAA against obligation records. An "unmatched disbursement" is an undistributed disbursement that cannot be matched to an existing obligation because of transposed document numbers, missing data, etc.

Unfunded Request (UFR) - An item, which is unbudgeted, the cost of which cannot be absorbed within the current approved funding level (the sum of quarterly allocated funds to date) or budget funding guidance level. The term UFR is frequently used to refer to funding requested in an SAO or Unified Command consolidated SAO budget submission that is above the funding guidance levels provided by higher authority. The decision to place an item in the prioritized UFR list generally means that it will not be funded if the Final Approved Funding level for the SAO or Unified Command is at or below the original funding guidance level.

Unliquidated Obligations - Are outstanding obligations, which are still valid, but have no matching expenditures or disbursements recorded for them.

APPENDIX C

References

Administrative and Logistical Support of Overseas Security Assistance Organizations (SAOs) (AR 1-75/SECNAVINST 4900.49/AFJI 16-104). Contains guidance concerning: morale, welfare, and recreation funding support; Environmental and Morale Leave; emergency medical and dental services; SAO housing; SAO representational funds; and general budget and fiscal support.

Department of Defense Financial Management Regulation, Volume 15, Security Assistance Policy and Procedures, published by the Comptroller of the Department of Defense. Contains overall financial policies for the Foreign Military Sales program, e.g., paragraph 070204 addresses policies for indigenous personnel salaries.

Financial Management Guidebook for Commanding Officers (NAVSO P-3582), published by the Officer of the Comptroller, Department of the Navy. Designed for U.S. Navy commanding officers, this guidebook provides an introduction to the commanding officer's responsibility for funds integrity; the Planning, Programming and Budgeting System; and general financial terminology and definitions. Although this guidebook does not address the Security Assistance environment, it is an excellent reference for the reader who wants to broaden his or her understanding of basic financial management matters.

Foreign Affairs Handbook 6 –FAH –5 ICASS Handbook, published by the Department of State. Provides detailed information on the ICASS system and procedures.

DoDD 5010.38 Management Control (MC) Program Internal Management Control Program. Establishes the DoD program for Internal Management Control (IMC), assigns organizational responsibilities, and contains applicable definitions of IMC-related terms.

Security Assistance Management Manual (SAMM) (DOD 5105.38-M) published by the Defense Security Cooperation Agency (DSCA) and distributed by the Defense Institute of Security Assistance Management (DISAM). Section 1302 contains information on Security Assistance budgets; Section 1303 addresses C-12 management; Section 1504 covers policies pertaining to the Security Assistance Network.

Tailored Training Approach (TTA) Handbook: Preparing for Overseas Security Assistance Assignments prepared by the Defense Security Cooperation Agency (DSCA) and distributed by the Defense Institute of Security Assistance Management (DISAM). Designed to assist SAO Chiefs, Unified Commands, and Service assignment officers in the identification and scheduling of required formal

training and preparation visits; contains checklists and synopses of candidate training courses related to SAO assignments.

Users' Manuals for the Security Assistance Automated Resource Management Suite (SAARMS), published by the Defense Institute of Security Assistance Management (DISAM). Contains instructions on use of the SAARMS budget preparation and execution modules.

OMB Circular A-11, *Object Class Definitions*

OMB Circular A-123 *Management Accountability and Control*

Joint Travel Regulation (DoD Civilian Personnel)

Joint Federal Travel Regulation (Uniformed Service Members)

DoD 4500.36-R, *Management, Acquisition, and Use of Motor Vehicles*

DOD Directive 1327.5, *Leave and Liberty*

DoD 5010.40 *Management Control Program Procedures*

DoD 5400.11-R, *DoD Privacy Program*

DoD 7000.14-R, Vol. 15. *Department of Defense Financial Management Regulation* (SECURITY ASSISTANCE POLICY AND PROCEDURES)

[HTTP://WWW.TRICARE.OSD.MIL/TRICARE HANDBOOK](http://www.tricare.osd.mil/tricare)

APPENDIX D

Object Class Definitions

Reference: OMB Circular A-11, Section 35.4, Subject as above.

The terms used in the object classification are defined as follows:

Code and Standard Title	Definition
PERSONAL SERVICES AND BENEFITS (Object classes 11.1 through 13.0)	
Personnel Compensation	Gross compensation for personal services rendered to the Government by Federal civilian employees, military, and non-Federal personnel. (See object classes 11.1-11.9.)
11.1 Full-time permanent	Regular salaries and wages paid directly to civilian full-time permanent employees, as defined in section 13.2, and other payments that become a part of the employee's basic pay rate (e.g., merit pay increases for GM-13-15 employees). Includes regular salaries and wages paid to employees while on annual, sick, compensatory or other paid leave, and terminal leave payments; excludes compensation above the basic rate, e.g., for overtime or other premium pay, which should be recorded in object class 11.5. Includes regular pay of the commissioned officers of the Public Health Service, the National Oceanic and Atmosphere Administration, and the Environmental Protection Agency
	Where employees are paid from more than one appropriation, the applicable portion will be included under each appropriation. Include compensation for all workdays in the fiscal year.
11.3 Other than full-time permanent	Regular salaries and wages, including obligations for terminal leave payments and merit pay increases for GM 13-15 employees, paid directly to Federal civilian employees for part-time, temporary, or intermittent employment, as defined in section 13.2. Includes pay for employees in the Competitive and Excepted Services with appointments that are not designated as full-time permanent under object class 11.1. Includes pay for employees in the Senior Executive Service who are serving under limited term appointments, as defined in 5 U.S.C. 3132(a)(5) and under limited emergency appointments, as defined in 5 U.S.C. 3132(a)(6).
	<i>NOTE:</i> When the Government contracts with an individual with an individual for personal services and that individual is reportable under OPM regulations as a Federal employee, the compensation for services normally will be classified under object class 11.3 or 11.5, as appropriate. On the other hand, payments to a contractor principally for the personal services of a group of the contractor's employees will be classified under object class 25.0. Similarly, contracts with individuals for personal services that provide for substantial additional considerations, such as a contract with a physician who provides his or her own office, x-ray and other equipment, will be classified under object class 25.0.
11.5 Other personnel compensation	All personnel compensation above basic rates paid directly to civilian employees, Excludes cash allowances for higher cost of living locations, which are classified under object class 12.1 Includes overtime, holiday pay, Sunday pay, night work differential, and hazardous duty pay, as defined in section 13.2. Also includes:
	<i>Post differentials</i> --Payments authorized under 5 U. S.C. 5925 above the basic rate for service at hardship posts abroad that are based upon conditions of environment differing substantially from those in the contiguous 48 States and the District of Columbia.
	<i>Other payments above basic rates</i> --Payments above the basic rate for any other premium pay, such as stand-by pay and premium pay in lieu of overtime and special pay that is paid periodically during the year in the same manner and at the same time as regular salaries and wages are paid. Excludes special pay, which is classified under object class 12.1.
	<i>Cash incentive awards</i> --Payments for cash awards that do not become part of the Federal employee's basic rate of pay, such as those authorized under 5 U.S.C. 4502, 4507, 5384, and 5403.
11.7 Military personnel	Pay of military personnel including amounts above basic rates, for example, overtime, holiday pay, night work differential, hazardous duty pay, flight pay, and extra pay based upon conditions of environment (except cost of living allowances for locations outside the contiguous 48 States and the District of Columbia which are classified under object class 12.2). Also includes basic allowance for subsistence (BAS) and for quarters (BAQ). Excludes payments made to other agencies for services of military personnel on reimbursable detail, which are classified under object class 11.8.

11.8 Special personal services payments	<p>Regular salaries and wages paid directly to persons whose work years are not reportable to the Office of Personnel Management a Federal civilian employees and payments for personal services that no not represent salaries or wages paid directly to Federal employees. Includes:</p> <p><i>Compensation of persons not reportable as Federal employees</i> --Payments for compensation to persons not included in regular employment reports to the Office of Personnel Management, such as: witness, casual workers, and patient and inmate help. Includes compensation in the nature of allowances to trainees, and volunteers. Also includes payments for salary equalization under 5 U.S.C. 3373 and 3584 for individuals on leave of absence for employment with international organizations or State and local governments. (During the period of leave of absence, such persons are not included in reports on Federal employment to the Office of Personnel Management if the Federal agency pays 50 percent or less of the person's salary.)</p> <p><i>Payments for reimbursable details</i> --Payments made to other agencies for services of civilian employees and military personnel on reimbursable detail (Both compensation and personnel benefits).</p> <p><i>Agency reimbursement to the Civil Service Retirement and Disability Fund for reemployed annuitants</i> --Payments by an agency employing an annuitant to reimburse the Civil Service Retirement and Disability Fund for the annuity paid to that employee, as required by Public Law 94-397 (5 U.S.C. 8339,8344).</p>
11.9 Total personnel compensation	Total of the amounts shown for object classes 11.1 through 11.8.
Personnel Benefits	Benefits for currently employed Federal civilian, military, and certain non-Federal personnel. (Payments of benefits to certain former Federal civilian and military personnel are classified under object classes 13.0 and 42.0.) (See object classes 12.1 and 12.2.)
12.1 Civilian personnel benefits	<p>Cash allowances paid directly to Federal civilian employees and payments to other funds for the benefit of these employees, and benefits authorized by statute to be paid, including those to certain non-Federal civilian employees.</p> <p>This object class consists of all such payments whether or not the personnel compensation of these employees is classified under object classes 11.1 through 11.8. Benefit payments for non-Federal civilian employees under this object class include persons not reportable to the Office of Personnel Management as Federal employees, e.g., Peace Corps and VISTA volunteers, Job Corp enrollees, and U.S. Department of Agriculture Extension Service agents.</p> <p>Excludes cash incentive awards classified under object class 11.5 and prerequisites provided in kind (which are classified under object class representing the nature of the item purchased), and payments to former employees resulting from their employment.</p> <p>Includes:</p> <p><i>Allowances</i> --Includes quarters allowance, uniform allowances (when paid in cash), special pay that is paid in a lump sum, reimbursements for notary public expenses, and allowances above basic rate of pay for service outside the contiguous 48 States and the District of Columbia to compensate for a substantially higher cost of living at the post of assignment than the cost of living in the District of Columbia (as authorized under 5 U.S.C. 5924 and 5941).</p> <p>Also includes allowances for separate maintenance, education of dependents, transfers for employees stationed abroad, and personal allowances based upon assignment or position.</p> <p><i>Relocation and other expenses related to permanent change of station (PCS)</i> --Includes authorized allowances for expenses incurred in connection with the sale of a residence, or settlement of an unexpired lease, subsistence while occupying temporary quarters, and miscellaneous moving expenses, as authorized under 5 U.S.C. 5724a. Also includes reimbursement of amounts equal to income taxes incurred by transferred employees for moving and storage expenses under 5 U.S.C. 5724b and contractual charges for relocation services under 5 U.S.C. 5724c. Charges for other PCS expenses are classified under object classes 12.2, 21.0, 22.0 or 25.0, as appropriate.</p> <p><i>Payments to other funds</i> --Includes employers share of employee retirement, life insurance, health insurance and benefits, retirement, accident compensation (e.g., payments to the Office of Worker's Compensation), Federal Insurance Contribution Act taxes, and other such payments. Also includes agency payments to finance fiduciary insurance costs of the Federal Retirement Thrift Investment Board.</p>
12.2 Military personnel benefits	<p>Cash allowances and payments to other funds for military personnel includes:</p> <p><i>Allowances</i> --Includes uniform allowances (when paid in cash) and reenlistment bonuses. Also includes cost-of-living allowances paid to personnel on duty outside the contiguous 48 States and the District of Columbia, dislocation and family separation allowances, and personal allowances based upon assignment or rank. (Excludes hazardous duty pay, flight pay, extra pay based on conditions of environment, and other such pay, which are classified under object class 11.7, and benefit payments to veterans resulting from their past service.)</p> <p><i>Payments to other funds</i> --Includes the employer share of military retirement, Federal Insurance Contribution Act taxes, Servicemen's Group Life Insurance premiums, and education benefits.</p>

13.0 Benefits for former personnel	<p>Benefits due to former employees or their survivors on the basis of (at least in part) the benefits of service to the government. Excludes benefits provided in kind, such as hospital and medical care, which are classified under the object class representing the nature of the items purchased.</p> <p>Includes:</p> <p><i>Retirement benefits</i> --Compensation in the form of pensions, annuities, or other retirement benefits paid to former military and certain civilian Government personnel or to their survivors, exclusive of payments from retirement trust funds, which are classified under object class 42.0.</p> <p><i>Severance pay</i> --Payments made to former employees involuntarily separated.</p> <p><i>Other benefits</i> --Unemployment compensation for Federal employees and ex-servicemen and other benefits paid directly to the beneficiary. Also includes Government payment to the Employees Health Benefits Fund for annuitants.</p>
<p style="text-align: center;">CONTRACTUAL SERVICES AND SUPPLIES (Object classes 21.0 through 26.0)</p>	
21.0 Travel and transportation of persons	<p>Obligations for transportation of Government employees or others, their per diem allowances while in an authorized travel status and other expenses incident to travel that are to be paid by the Government either directly or by reimbursing the traveler.</p> <p>This object class consists of both travel away from official stations, subject to regulation governing civilian and military travel, and local travel and transportation of persons in and around the official station of an employee. In determining subclasses for administrative use, agencies may maintain such distinctions, as they deem appropriate, including a separate subclass for rental vehicles from interagency motor vehicle pools. Includes:</p> <p><i>Transportation of persons</i> --Contractual obligations for services in connection with carrying person from place to place, by land, air, or water and the furnishing of accommodations incident to actual travel. Includes commercial transportation charges: rental or lease of passenger cars; charter of trains, buses, vessel, or airplanes; ambulance service or hearse service; and expenses incident to the operation of rented or chartered conveyances. (Rental or lease of all passenger-carrying vehicles is to be charged to this object class, even though such vehicles may be used incidentally for transportation of things.) Includes mileage allowances for use of privately owned vehicles and related charges that are specifically authorized (such as highway and ferry tolls). It includes bus, subway, streetcar, and taxi fares (including tips) whether used for local transportation or for travel away from a designated post of duty.</p> <p><i>Subsistence for travelers</i> --Payments to travelers of per diem allowances or reimbursement of actual expenses for subsistence.</p> <p><i>Transportation expenses incident to permanent change of station (PCS)</i> --Payments to employees for transportation expense and per diem allowances or reimbursement of actual travel expenses associated with a permanent change of station (including travel expenses and per diem for the employee's immediate family), as authorized under 5 U.S.C. 5724a. Charges for other PCS expenses are classified under object class 12.1, 12.2, 22.0, or 25.0, as appropriate.</p> <p><i>Incidental travel expenses</i> --Other expenses directly related to official travel, such as baggage transfer, and telephone and telegraph expenses, as authorized by travel regulations.</p>
22.0 Transportation of things	<p>Contractual obligation for the transportation of things (including animals), for the care of such things while in process of being transported, and for other services incident to the transportation of things. (Excludes transportation paid by a vendor, regardless of whether the cost is itemized on the bill of the commodities purchased by the Government.) Includes:</p> <p><i>Freight and expense</i> --Charges by common carrier and contract carrier, including freight and express, demurrage, switching, re-crating, refrigerating, and other incidental expenses.</p> <p><i>Trucking and other local transportation</i> --Charges for hauling, handling, and other services incident to local transportation, including contractual transfers of supplies and equipment.</p> <p><i>Mail transportation</i> --Postage used in parcel post and charges for express package services (i.e., charges for transporting freight). (It excludes other postage and charges that are classified under object class 23.3.)</p> <p><i>Transportation of household goods related to permanent change of station (PCS) travel</i> --Payments to Federal employees for transportation of household goods and effects or house trailers in lieu of payment of actual expenses when payment is for transfer of personnel from one official station to another. Charges for other PCS expenses are classified under object class 12.2, 12.2, 21.0, or 25.0, as appropriate.</p>
23.0 Rent, Communications, and Utilities	<p>Charges for possession and use of land, structures, or equipment owned by others and charges for communication and utility services. Excludes charges for rental transportation equipment, which are classified under object class 21.0 or 22.0 (See object classes 23.1 through 23.3.)</p>
23.1 Rental payments to GSA	<p>Direct obligations for rental of space and rent related services assessed by the General Services Administration (GSA) as rent, formerly known as standard level user charges (SLUC). Excludes charges for related services provided by GSA in addition to services provided under rental payments, e.g., extra protection, extra cleaning, or extra alteration, which are classified under object class 25.0.</p>

23.2 Rental payments to others	Direct obligations for possession and use of space, land and structures leased from a non-Federal source. Rental payments to agencies other than GSA for space, land, and structures that are subleased or occupied by permits regardless of whether the space is owned or leased will be classified under object class 25.0.
23.3 Communications, utilities, and miscellaneous changes	<p>Includes:</p> <p><i>ADP and communication services and rentals</i> --Obligations for the transmission of messages or data, such as land telegraph service, marine cable service, radio and wireless telegraph service, electronic data transmission service, and telephone and teletype service; postage (excluding parcel post and express mail service for freight); contractual mail (including express mail service for letters) or messenger service; and rental of post office boxes, postage meter machines, mailing machines and teletype equipment. Includes charges for the rental of ADP and telecommunications hardware and software. (Charges for maintenance to ADP and telecommunications hardware and software and related training and technical assistance, when significant and readily identifiable in the contract or billing, will be classified under object class 25.0. Contractual services involving the use of equipment in the possession of other such as computer time-sharing will also be classified under object class 25.0.)</p> <p><i>Utility services</i> --Obligations for heat, light, power, water, gas, electricity, and other utility services.</p> <p><i>Miscellaneous charges</i> --Periodic charges under purchase rental agreements for equipment. (Payments subsequent to the acquisition of title to the equipment should be classified under object class 31.0.) Excludes payments under lease-purchase contracts for construction of buildings, which are classified under object class 32.0 or 43.0, and for ADP and telecommunication equipment, which are classified under object class 31.0.</p>
24.0 Printing and reproduction	<p>Obligations for contractual printing and reproduction (including photo composition, photography, blueprinting, Photostatting, and microfilming) and the related composition and binding operations performed by the Government Printing Office, other agencies or other units of the same agency (on a reimbursable basis), and commercial printers or photographers. Includes all common processes of duplicating obtained on a contractual or reimbursable basis. Also includes standard forms when specially printed or assembled to order and printed envelopes and letterheads.</p> <p><i>Note:</i> This object class consists of both printing and binding as defined in the Government Printing and Binding regulations issued by the Joint Committee on Printing and reproduction of the type that does not come within the Joint Committee's definition. In determining subclasses for administrative use, agencies may appropriately maintain such a distinction.</p>
25.0 Other services	<p>Obligations for contractual services not otherwise classified. Supplies and materials furnished by the contractor connection with such services are included even though they may be separately itemized on the voucher. Excludes obligations for services in connection with the initial installation of equipment, when performed by the vendor, which are classified under object class 31.0.</p> <p>Includes:</p> <p><i>Repairs and alterations</i> --Obligations for repairs and alterations to buildings, bridges, viaducts, vessels, equipment, and like items, when done by contract.</p> <p><i>Storage and maintenance</i> --Obligations for contractual services for storage and care of vehicles and storage of household goods, including those associated with a permanent change of station (PCS). Obligations for other PCS expenses are classified under object class 12.1, 12.2, 21.0, or 22.0.</p> <p><i>Subsistence and support of persons</i> --Obligations incurred for contractual services for board, lodging, and care of persons, including hospital care (except travel items, which are classified under object class 21.0).</p> <p><i>Typing and stenographic service contracts.</i></p> <p><i>Publication of notices, advertising, and radio and television time.</i></p> <p><i>Tuition.</i></p> <p><i>Fees and other charges</i> --Fees for abstracting land titles, premiums on insurance (other than payments to the Office of Personnel Management) and surety bonds.</p> <p><i>Custom software</i> --Obligations for contracts to maintain software or hardware, including maintenance that is part of a rental contract, when significant and readily identifiable in the contract or billing. Excludes charges for rental or ADP and telecommunications hardware and software, which are classified in object class 23.3.</p> <p><i>Operation of facilities or other service contracts.</i></p> <p><i>Research and development contracts.</i></p>

26.0 Supplies and materials	Obligations for commodities whether acquired by formal contract or other form of purchase that are; ordinarily consumed or expended within one year after they are put into use; converted in the process of construction or manufacture; or used to form a minor part of equipment or fixed property. Also includes charges for off-the-shelf software purchases of \$25,000 or less. (For purposes of this Circular, other property of little monetary value that does not meet any of these three criteria listed above may also be classified as "Supplies and materials" at the option of the agency.) Includes:
	<i>Office supplies</i> --Obligations for pencils, paper, calendar pads, stenographic notebooks, standard forms (except when specially printed or assembled to order), unprinted envelopes, other office supplies, and property of little monetary value, such as desk trays, pen sets, and calendar stands.
	<i>Publications</i> --Obligations for purchases of or subscriptions to pamphlets, documents, books, newspapers, periodicals, records, cassettes, or other publications whether printed, microfilmed, photocopied, or otherwise recorded for auditory or visual use that are off-the-shelf rather than specially ordered by or at the request of the agency. Excludes publications acquired for permanent collections, which are classified under object class 31.0.
	<i>ADP supplies and materials</i> --Obligations for computer and word processing tapes, discs, and manuals. Includes off-the-shelf software purchases and licenses of \$25,000 or less. Excludes off-the-shelf software classified under object class 31.0.
	<i>Chemicals, surgical and medical supplies.</i>
	<i>Fuel</i> --Obligations for fuels used in cooking, heating, generating power, making artificial gas, and operating motor vehicles, trains, aircraft, and vessels.
	<i>Clothing and clothing supplies</i> --Obligations for articles of clothing, together with materials and sewing supplies used in manufacture of wearing apparel.
	<i>Provisions</i> --Obligations for food and beverages.
	<i>Cleaning and toilet supplies.</i>
	<i>Ammunition and explosives.</i>
	<i>Materials and parts</i> --Obligations for commodities (including building materials) used in the construction, repair, or production of supplies, equipment, machinery, buildings, and other structures.

ACQUISITION OF CAPITAL ASSETS

(Object classes 31.0 through 33.0)

31.0 Equipment	Obligations for the purchase of personal property of a durable nature--that is, property that normally may be expected to have a period of service of a year or more after being put into use without material impairment of its physical condition. Includes obligations for service in connection with the initial installation of equipment when performed under contract. Excludes off-the-shelf software valued at \$25,000 or less and supplies and materials classified under object class 26.0. Also excludes fixed equipment that is classified under object class 32.0. This object class may consist of both equipment that is not capitalized (not set up in property accounts) and equipment that is Capitalized. In determining subclasses for administrative use, agencies may appropriately maintain such a distinction. Includes:
	<i>Transportation equipment</i> --Obligations for vehicles, including passenger-carrying automobiles, motor trucks, and motorcycles; tractors, aircraft, trains; and steamships, barges, power launches, and other vessels.
	<i>Furniture and fixtures</i> --Obligations for movable furniture, fittings, fixtures, and household equipment. Includes desks, tables, chairs, typewriters, word processing equipment, and calculators.
	<i>Publications for permanent collections.</i>
	<i>Tools and implements.</i>
	<i>Machinery</i> --Obligations for engines, generators, manufacturing machinery, transformers, ship equipment, pumps, and other production and construction machinery.
	<i>Instruments and apparatus</i> --Obligations for surgical instruments, x-ray apparatus, signaling equipment, telephone and telegraph equipment, electronic equipment, scientific instruments and appliances, measuring and weighing instruments and accessories, photographic equipment, picture projection equipment and accessories, and mechanical drafting devices.
	<i>ADP and telecommunications equipment</i> --Obligations for hardware, e.g., central processing units (CPUs), punch card accounting machines, data entry machines, modems, telephone handsets, and personal computers. Also includes purchase of off-the-shelf and custom software of more than \$25,000.
	<i>Armaments</i> --Obligations for tanks, armored carriers, missiles, machine guns, small arms, bayonets, anti-aircraft guns, artillery, searchlights, detectors, fire-control apparatus, submarine mine equipment, ammunition hoists, torpedo tubes, and other special and miscellaneous military equipment.

32.0 Land and structures	<p>Obligations for purchase of land, buildings, and other structures, additions to buildings, nonstructural improvements, fixed equipment when acquired under contract (whether an addition or a replacement), and payments for defaulted loan guarantees on loans that have been foreclosed, so that the Federal payment results in the acquisition of a physical asset rather than a loan asset. Includes:</p> <p><i>Land</i> --Obligations for the purchase of land and interest in lands, including easements and rights of way.</p> <p><i>Buildings and other structures</i> --Obligations for the acquisition or construction of buildings and structures, and additions thereto, when acquired under contract. Includes principal payments under lease-purchase contracts for construction of buildings.</p> <p><i>Nonstructural improvements</i> --Obligations for improvement of land, such as landscaping, fences, sewers, wells, and reservoirs, when acquired under contract.</p> <p><i>Fixed equipment</i> --Obligations for fixtures and equipment that become permanently attached to or a part of buildings or structures, such as elevators, plumbing, power-plant boilers, fire-alarm systems, lighting or heating systems, and air-conditioning or refrigeration system (whether an addition or a replacement), when acquired under contract. Includes amounts for services for the initial installation of fixed equipment when performed under contract.</p>
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NOTE: Transportation equipment should be categorized using object class 31.1 for passenger-carrying vehicles and 31.2 for non-passenger carrying vehicles.

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